

RB4749




Presented to
The Library
of the
University of Toronto
by

Mrs. W.R. Walton, Jr.

Canada . Royal commission on
price spreads.

Report . 1935



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

<https://archive.org/details/39140323070143>

REPORT
OF THE
ROYAL COMMISSION
ON
PRICE SPREADS



OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1937

Price, \$1.00

REPORT
OF THE
ROYAL COMMISSION
ON
PRICE SPREADS



OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1937

1935

ROYAL COMMISSION ON PRICE SPREADS

WM. W. KENNEDY, Esq., M.C., K.C., M.P., *Chairman*

Hon. H. H. Stevens, Esq., M.P.

J.-L. Baribeau, Esq., M.P.

Thomas Bell, Esq., M.P.

O. L. Boulanger, Esq., K.C., M.P.

A. M. Edwards, Esq., M.P.

Samuel Factor, Esq., K.C., M.P.

James L. Ilsley, Esq., K.C., M.P.

D. M. Kennedy, Esq., M.P.

Mark Senn, Esq., M.P.

E. J. Young, Esq., M.P.

L. B. Pearson, Esq., *Secretary*

J. M. Boyer, Esq., M.C.

R. A. Cameron, Esq., *Ass't Secretaries.*

Norman Sommerville, Esq., K.C.,
Counsel.

W. W. Parry, Esq., K.C., *Ass't.*
Counsel.

TABLE OF CONTENTS

		PAGE
	Analytical Table of Contents.....	v
	Summary of Recommendations.....	xviii
	Preface.....	xxvi
CHAP.		
I.	Introductory.....	1
II.	The Economic Background.....	5
III.	Concentration and the Corporate System of Business.....	13
IV.	Industry.....	46
V.	Labour and Wages.....	105
VI.	The Primary Producer.....	143
VII.	Distribution.....	200
VIII.	The Consumer.....	234
IX.	The Problem of State Control.....	248
	Memorandum of Reservations by Messrs. Boulanger, Factor and Ilsley.....	276
	Minority Report by Mr. E. J. Young.....	288
ANNEX		
I.	List of Witnesses and Counsel.....	308
II.	List of Documentary Exhibits.....	316
III.	Further Statistics on Corporations and Concentration.....	325
IV.	Illustrative Cases of Corporate Financing.....	349
V.	Further Statistics on Labour and Wages.....	364
VI.	Further Statistics on Distribution.....	434
VII.	Summary of Legislation of the Principal Industrial Nations relating to Trade Combinations.....	439
VIII.	Combines Investigation Act.....	473
IX.	Memorandum on the Use of Taxation as a Method of Regulation, by the Honourable H. H. Stevens.....	484
	Index.....	501

ANALYTICAL TABLE OF CONTENTS

PREFACE

	PAGE
Summary of Recommendations.....	xviii
The Royal Commission.....	xxvi
Terms of Reference as set out in Order in Council, P.C. 1461, of 7th July, 1934.....	xxviii
Orders in Council P.C. 2743 of 29th October, 1934, and P.C. 2946 of 19th November, 1934.	xxx

CHAPTER I

INTRODUCTORY

CHAPTER II

THE ECONOMIC BACKGROUND

1. The Theoretical Background.....	5
1. The theory of simple competition, simple monopoly and imperfect competition.	
2. Significance of imperfect competition, indeterminate prices, exploitation, economic flexibility and rigidity.	
2. Special Features of Canadian Economic Organization.....	10
1. Dependence on Exports.	
Consequences of a fall in export prices—uneven distribution of the loss of income.	
2. Inflexibility in the Canadian Economy.	
Geographical factors—corporate and private debts—other causes of rigidity—growth of the corporation.	

CHAPTER III

CONCENTRATION AND THE CORPORATE SYSTEM OF BUSINESS

1. INTRODUCTION.....	13
2. THE CORPORATION IN CANADIAN BUSINESS.....	13
1. The Nature of the Corporation.....	13
2. The Origin and Growth of the Corporation in Canada.....	14
3. Ownership and Control of Corporations.....	14
4. Methods of Control in Canadian Corporations.....	15
5. Legal Devices as Methods of Control.....	18
a. The Holding Company.	
b. Non-Voting Stock.	
c. The Voting Trust.	
6. The Growth of Large Corporations in Comparison with the General Growth of Business.....	20
7. Nature and Extent of the Growth of 63 Large Canadian Corporations which had a continuous Existence, 1923-1933.....	23
a. Nature of Growth.	
b. Rate of Growth.	
8. Conclusions.....	26

CHAPTER III—*Concluded*

	PAGE
3. CORPORATE PRACTICES AND ABUSES.....	27
1. Introduction—The Function of the Promoter.....	27
2. An Analysis of Canadian Consolidations.....	28
a. The Extent of the Consolidation Movement.	
b. Methods of Consolidation.	
c. The Purpose of Consolidation.	
d. The Results of Consolidation.	
3. An Analysis of Canadian Refinancing Operations.....	32
a. The Purpose of Refinancing.	
b. The Extent of Refinancing Operations, 1926-1933.	
c. The Results of Refinancing Operations.	
4. Illustrations of Corporate Practices from the Evidence.....	36
5. The Main Problems to be Solved.....	38
4. REMEDIAL SUGGESTIONS.....	38
1. Amendment of the Dominion Companies Act.....	40
2. The Position of Directors.....	43
3. The Prevention of Stock-watering—The Securities Board.....	43
4. Conclusion.....	45

CHAPTER IV

INDUSTRY

1. INTRODUCTION.....	46
1. Large-Scale Production.....	46
2. Combination.....	47
3. Monopoly.....	48
2. THE TOBACCO INDUSTRY.....	50
1. General Conditions in the Industry.....	50
2. The Imperial Tobacco Company.....	51
a. Capital Structure.	
b. Profits.	
c. Policy of the Company.	
3. THE MEAT PACKING INDUSTRY.....	54
1. General Conditions in the Industry.....	54
2. The Industry and the Depression.....	55
3. Profits of the Industry.....	57
4. Competitive Conditions in the Industry.....	58
4. THE AGRICULTURAL IMPLEMENT INDUSTRY.....	60
1. General Conditions in the Industry.....	60
2. Costs and Selling Prices of Implements.....	62
3. The Question of Excess Capacity.....	63
4. Profits of the Industry.....	64
5. Methods of Sale and Distribution.....	64
6. Conclusions.....	67
5. THE CANNING OF FRUITS AND VEGETABLES.....	67
1. General Conditions in the Industry.....	67
2. Growth of the Two Largest Companies.....	68
3. Excess Production and Carry-Overs.....	69
4. Merchandising Methods.....	69
5. Relationship between Canadian Cannery, Ltd., and American Can Company....	70
6. THE RUBBER FOOTWEAR AND TIRES INDUSTRY.....	72
1. General Conditions in the Industry.....	72
2. Discounts and Rebates.....	73
3. Price Fixing.....	75
4. Sales Quotas.....	75
5. The Tire Industry.....	75

CHAPTER IV—*Concluded*

	PAGE
7. THE FERTILIZER INDUSTRY.....	76
1. General Conditions in the Industry.....	76
2. Territorial Price Discrimination and Delivered Prices.....	76
8. THE TEXTILE MANUFACTURING INDUSTRIES.....	78
1. General Characteristics.....	78
2. The Textile Industries and the Depression.....	80
3. Primary Cotton Manufacturers.....	81
a. General Characteristics.....	
b. Earnings and Profits.....	
4. Woollen Manufacturers.....	82
5. Natural Silk Manufacturers.....	83
6. Hosiery Manufacturers.....	83
7. Synthetic Silk Manufacturers.....	84
8. Knit Goods Manufacturers.....	84
9. Other Classes.....	85
10. Conclusion.....	85
9. THE MILLING AND BAKING INDUSTRIES.....	86
1. Importance of the Industries.....	86
2. The Milling Industry.....	86
a. Development.....	86
b. The Effect of Surplus Capacity.....	87
c. Surplus Capacity and Exports.....	88
d. Surplus Capacity and Investments.....	90
e. Operating Characteristics.....	90
(1) Volume of Production.....	
(2) Conversion Costs.....	
(3) Price Spreads between Wheat, Flour and Bread.....	
f. Competition in the Industry.....	93
g. Hedging and Speculation.....	94
h. Recommendations and Conclusions.....	95
3. The Baking Industry.....	97
a. The Relationship between the Milling and Baking Industries.....	97
b. Mill-controlled Bakeries.....	98
c. Surplus Capacity in the Baking Industry.....	99
d. Competition in the Baking Industry.....	100
e. Selling and Delivery Costs of Bread.....	100
f. Recommendations and Conclusions.....	101
10. THE FURNITURE MANUFACTURING INDUSTRY.....	102
1. General Conditions in the Industry.....	102
2. Mass Buying and the Industry.....	103
3. Conclusions.....	104

CHAPTER V

LABOUR AND WAGES

	PAGE
1. LABOUR'S SIGNIFICANCE AND THEORETICAL POSITION.....	105
1. Introduction.....	105
2. The Social Significance of the Wage-earner.....	105
3. The Theoretical Position of the Wage-earner.....	106
4. The Effect of Mass Buying on Labour.....	107
2. PRESENT STATUS OF THE WAGE-EARNER IN THE INDUSTRIES INVESTIGATED.....	108
1. Introduction.....	108
2. Needle Trades.....	109
3. Leather Boots and Shoes.....	112
4. Furniture.....	113
5. Baking.....	113
6. Flour Milling.....	114
7. Meat Packing.....	114
8. Fruit and Vegetable Canning.....	114
9. Tobacco.....	115
10. Agricultural Implements.....	116
11. Rubber.....	116
12. Textiles.....	116
13. Department and Chain Stores.....	119
3. PROPOSED REMEDIES.....	124
1. Non-governmental.....	125
a. Employers' and Trade Associations.....	125
b. Employees and Trade Unions.....	126
2. Governmental.....	128
a. Within Traditional Interpretation of the Constitution.....	128
(1) Improved Labour Law Administration.....	128
(2) Amendments to Present Provincial Laws.....	129
(a) Minimum Wage Laws.....	
(b) Regulation of Hours of Labour.....	
(c) Employment Records.....	
(3) New Provincial Labour Laws.....	134
(4) Amendments to, or Extension of Present Dominion Laws and Practices.....	135
(a) Amendment of the Criminal Code.....	
(b) Fair Wage Policy.....	
(c) Industrial Disputes Investigation.....	
(d) Better Labour Statistics.....	
(e) A New Division of Research, Standards and Service in the Department of Labour.....	
b. National Regulation of Employment Conditions, Requiring Either Constitutional Change or Special Effort to Overcome Constitutional Obstacles.....	139
(1) The Need for Uniformity.....	139
(2) Methods of Achieving Uniformity.....	140
(a) Dominion Legislation, Reservations and Qualifications.....	
(b) Interprovincial Co-operation.....	
(3) Recommendations with Respect to National Uniformity.....	142
(a) Dominion Legislation under present Constitution, if possible.....	
(b) Constitutional Amendment, if Necessary, to Effect this Purpose.....	
(c) Advisory Council to Minister of Labour.....	
(d) Annual Dominion-Provincial Labour Conferences.....	

CHAPTER VI

THE PRIMARY PRODUCER

	PAGE
1. INTRODUCTION.	143
2. THE TOBACCO GROWER.	147
1. Introduction.	147
2. Tobacco Production in Canada.	147
3. Grower Organization.	148
4. Flue-cured Marketing in Ontario.	149
5. The Tobacco Grower in Quebec.	151
6. The Flue-cured Marketing Agreement, 1934.	152
3. THE FRUITS AND VEGETABLE GROWERS.	153
1. Low Prices Received by Growers.	153
2. The Canner-grower Contract.	154
3. Dockage.	155
4. Home Canning.	156
5. Recommendations for Remedial Action.	157
4. THE LIVE STOCK PRODUCER.	158
1. Conditions of the Live Stock Industry.	158
2. Stockyards and Public Markets.	161
a. Lack of Competition in Purchasing.	
b. Direct Shipments.	
c. Stockyard Fees and Auction Selling.	
d. Commission Agents.	
e. Truckers.	
3. Marketing of Hogs.	165
4. Grading: Hogs and Cattle.	166
5. Retailing of Meat Products.	167
6. The Export Trade.	168
a. Cattle Exports.	
b. Export of Pig Products.	
7. Freight Rates and the Live Stock Producer.	172
8. Conclusion.	172
5. FISHING INDUSTRY.	173
1. General Conditions in the Industry.	173
a. Introductory.	
b. Extent and Importance of the Industry.	
c. Fisheries and the Depression.	
d. Concentration in the Industry.	
2. Fresh Fish Industry.	176
3. Dried and Cured Fish Industry.	178
4. Herring and Sardine Industry.	181
5. Pickled Fish Industry.	182
6. Lobsters, Smelts, and Eels.	183
a. Lobster Industry.	
b. Smelt Industry.	
c. Eels.	
7. The Fishermen.	184
a. Conditions of Labour.	
b. Earnings of Fishermen.	
c. Homes and Equipment.	
d. Recommendations of Fishermen.	

CHAPTER IX

THE PROBLEM OF STATE CONTROL

	PAGE
1. THE NATURE AND SCOPE OF THE PROBLEM.....	248
1. The Nature of Social Control.....	248
2. Methods of Public Control.....	249
a. The Protection of Private Economic Activity.	
b. The Promotion of Private Economic Activity.	
c. The Encouragement of Monopoly.	
d. Licensing.	
e. The Protection of the Public from the Excesses of Competition.	
f. The Prohibition of Monopoly and Maintenance of Compulsory Competition.	
g. Government Acceptance of Monopoly with Regulation.	
h. Government Toleration of Monopolistic or Quasi-monopolistic Industrial Combinations.	
i. Public Ownership and Operation.	
3. Government Regulation in Various Countries.....	252
a. The United Kingdom.....	252
b. Australia.....	253
c. The United States.....	254
(1) The Federal Trade Commission.	
(2) The National Recovery Administration.	
d. Canada.....	258
(1) The Board of Commerce, 1919.	
(2) The Combines Investigation Act.	
4. The Objectives and Limitations of Public Control.....	260
a. Amendment of the Combines Act.....	260
b. Self-government in Business.....	261
c. The Complexity of the Problem.....	263
d. Conclusion.....	264
2. GENERAL RECOMMENDATIONS.....	264
1. The Federal Trade and Industry Commission.....	264
2. The Structure of the Commission.....	265
3. The General Functions of the Commission.....	265
a. Administration of the Combines Act.....	266
b. The Regulation of Monopoly.....	267
c. Price and Production Agreements.....	268
d. Consumer Protection.....	268
e. The Regulation of Trade Practices.....	269
(1) The Definition of Unfair Trade Practices.	
(2) The Procedure and Power for Trade Practice Regulation.	
(3) Fair Trade Conferences.	
(4) Co-operation with Boards of Trade.	
f. Economic Investigation.....	272
g. The Regulation of New Security Issues.....	274
h. Conclusion.....	274
Memorandum of Reservations by Messrs. Boulanger, Factor and Ilsley.....	276
Minority Report by Mr. E. J. Young.....	288
ANNEX I—List of Witnesses and Counsel.....	308
ANNEX II—List of Documentary Exhibits.....	316

	PAGE
ANNEX III—Further statistics on corporations and concentration.....	325
Table 1—Methods of control in 145 largest Canadian corporations divided into classes.....	325
Table 2—Number and assets, by classes of companies, of 145 largest companies with percentages for each class.....	325
Table 3—Number and distribution of shareholders in 145 largest Canadian companies.....	326
Table 4—Methods of control in 105 largest Canadian corporations.....	326
Table 5—Methods of control of Foreign and Domestic subsidiary companies.....	327
Table 6—The voting share—holdings of directors in 54 corporations.....	327
Table 7—The voting rights of shareholders in 133 out of 145 companies.....	328
Table 8—Percentage amount of change in net assets, 1923-1933.....	329
Table 9—Percentage distribution of the net assets of the 98 largest companies, excluding the Canadian National and the Canadian Pacific Railway Companies.....	330
Table 10—Net assets of 100 largest companies by size of company.....	330
Table 11—Quantitative analysis of consolidations, 1900 to 1933, inclusive.....	331
Table 12—Consolidations 1921-1930 according to class of industry.....	332
Table 13—Consolidations 1921-1930 classified by industries and their subsequent history.....	333
Table 14—Histories of certain consolidations of the period, 1900-1920.....	339
Table 15—Canadian companies refinanced.....	341
Table 16—Refinancing of Canadian companies, 1926-1933 (inclusive).....	343
Table 17—Earnings history of bonds sold to the public.....	346
Table 18—Earnings history of preferred shares sold to the public.....	346
Table 19—Earnings history of Class "A" shares sold to the public.....	348
Table 20—Earnings history of common shares sold to the public.....	348
ANNEX IV—Three illustrative cases of corporate financing.....	349
Table 21—The Simpson Companies' capital structure.....	351
Table 22—The Simpson Companies' earnings of 1924-1933.....	352
Table 23—Earnings of Simpson's Limited.....	352
Table 24—Comparison of assets and capital structures of P. Burns Co. Ltd., before and after refinancing, 1928.....	356
Table 25—Earnings statistics of the P. Burns Company, 1928-1933.....	357
Table 26—Condensed balance sheets of Burns and Company, Limited, as at December 31, 1933, and January 1, 1934.....	359
Table 27—Statement showing distribution of amounts by which capital stock of Burns & Co. Ltd. is reduced under scheme for reorganization.....	359
Table 28—Earnings of Canadian Cannery Limited, 1923-1934.....	362
ANNEX V—Further statistics on labour and wages.....	364
Table 29—Size of establishments, selected industries, 1931.....	364
Table 30—Average annual wages, selected industries, 1931.....	364
Note on the needle trades.....	365
Table 31—Needle trades, location of establishments answering Commission questionnaire.....	366
Table 32—Needle trades, normal hours of labour.....	366
Table 33—Needle trades, average annual wages, 1934.....	367
Table 34—Needle trades, average (median) hourly earnings, September, 1934....	368
Table 35—Men's fine clothing industry, comparison of average hourly earnings, weekly wage rates and minimum wage law violations, for selected firms, Spring, 1934.....	369
Table 36—Comparison of manufacturing costs of comparable men's suits prior to September, 1933.....	370
Table 37—Men's suits, direct labour and material costs, and gross margins of profit, 1933.....	370
Table 38—Leather boot and shoe industry, comparison of average hourly earnings, weekly wage rates, and minimum wage law violations, eight Quebec firms, Spring, 1934.....	371

	PAGE
Table 39—Furniture industry, average actual weekly earnings, men.....	372
Table 40—Furniture industry, average hourly wage rates, men.....	372
Table 41—Baking industry, selected companies, average weekly wage, June 1933, by occupations.	373
Table 42—Flour milling industry, actual earnings in a typical mill for a two-week period, 1934.....	374
Table 43—Flour milling industry, going rates of wages, August, 1934.....	374
Table 44—Slaughtering and meat packing industry, number of wage-earners and average annual wages, 1933.....	375
Table 45—Slaughtering and meat packing industry, selected plants, weekly earnings, 1934.....	375
Table 45a—Slaughtering and meat packing industry, selected plants, weekly earn- ings, 1934.....	376
Table 46—Fruit and vegetable preparation industry, number of employees, 1933...	376
Table 47—Fruit and vegetable preparation industry, selected plants, average hourly earnings, September, 1929-1933.....	377
Table 48—Tobacco manufacturing industry, number of wage-earners and average annual wages, 1933.....	377
Table 49—Tobacco industry, selected companies, actual weekly earnings, October, 1933.....	378
Table 49a—Tobacco industry, selected companies, actual weekly earnings, October, 1933.....	379
Table 50—Agricultural implements industry, average annual earnings, 1929-1933...	380
Table 51—Agricultural implements industry, high, low and average hourly earnings for eight establishments, having fifty or more employees, February, 1934.....	380
Table 52—Rubber industry, selected companies, wages, 1933.....	381
Table 53—Textile industries, percentage distribution of employment by provinces, February, 1934.....	381
Table 54—Textile industries, average hourly wages by sex and age, February, 1934.....	381
Table 54a—Proportion of male employees to total factory employees, February, 1934	382
Table 55—Textile industries, average hourly wages of all employees by provinces, February, 1934.....	382
Table 56—Textile industries, average hourly wages by size of cities and towns, February, 1934.....	382
Table 57—Primary cotton, sex and age distribution of wage-earners, 1934.....	383
Table 58—Changes in the cotton yarn and cloth industry since 1930.....	383
Table 59—Comparison of changes in the principal statistics of the cotton industry and all manufacturing industries.....	383
Table 60—Primary cotton, average hourly rates of pay.....	384
Table 61—Primary cotton, average rates of pay according to size of mill.....	384
Table 62—Primary cotton, average hourly rates in selected occupations, February, 1934.....	385
Table 63—Woollen textiles, sex and age distribution of wage-earners, 1934.....	385
Table 64—Changes in the woollen textile industries, as compared with manu- facturing in general, 1929 to 1932.....	386
Table 65—Changes in the woollen textile industries, 1929 to 1933.....	386
Table 66—Woollen textiles, average number of hours worked per week per employee	387
Table 67—Average hourly rates of factory workers (excluding superintendents), February, 1934.....	387
Table 68—Average rates of pay according to size of mill.....	387
Table 69—Average hourly rates in selected occupations, February, 1934.....	388
Table 70—Woollen textiles.....	389
Table 71—Silk industry, sex and age distribution of wage-earners, 1934.....	389
Table 72—Changes in the silk industry as compared with all manufacturing industries, 1929-32.....	389
Table 73—Changes in the silk industry since 1929.....	390
Table 74—Silk industry, average hourly rates of factory workers (excluding super- intendents), February, 1934.....	390

	PAGE
Table 75—Silk industry, average rates of pay according to size of mill.....	390
Table 76—Silk industry (natural), average hourly rates of pay in selected occupations, February, 1934.....	391
Table 77—Silk industry (artificial), average hourly rates of pay in selected occupations, February, 1934.....	391
Table 78—Silk industry, summary of average hourly wages paid.....	392
Table 79—Associated Textiles of Canada, Ltd. Summary of weekly rates of pay of factory employees (based on 55 hour week).....	393
Table 80—Hosiery and knit good industry. Sex and age distribution of wage-earners, February, 1934.....	393
Table 81—Hosiery and knit goods industry.....	394
Table 82—Changes in the hosiery and knit goods industry as compared with all manufacturing industries, 1929-32.....	394
Table 83—Hosiery and knit goods industry. Average hourly wages of all factory workers (excluding superintendents), February, 1934.....	394
Table 84—Hosiery and knit goods industry. Average hours per week.....	395
Table 85—Hosiery and knit goods industry. Average rates of pay according to size of mill.....	395
Table 86—Hosiery and knit goods industry. Average hourly rates in selected occupations, February, 1934.....	396
Table 87—Hosiery and knit goods industry. Frequency distribution of wages paid by firms paying less than the average for the province, 1934.....	398
Table 88—Hosiery and knit goods industry. Average hourly rates of all factory workers (excluding superintendents), February, 1934.....	399
Table 89—Hosiery and knit goods industry. Average rates of pay according to size of mill.....	399
Table 90—Hosiery and knit goods industry. Sex and age distribution of wage-earners, February, 1934.....	400
MEMORANDUM ON LABOUR AND WAGES IN RETAIL TRADE.....	400
Table 91—Retail merchandise trade. Average number of full-time employees, by geographical divisions and by type of store, 1930.....	401
Table 92—Retail merchandise trade. Number of full-time employees by size of business, Canada, 1930.....	402
Table 93—Retail trade. Average annual earnings and average weeks employment of wage-earners for the census year, 1931.....	403
Table 94—Retail trade. Average weekly earnings of wage-earners, by sex, for the census year, 1931.....	404
Table 95—Retail stores. Frequency distribution of female employees, by rates of wages, Ontario, 1930 and 1933.....	405
Table 96—Mercantile trades. Relative proportions of female employees receiving minimum and more than minimum in Ontario and British Columbia, according to the reports of the minimum wage boards, 1933.....	405
Table 97—The T. Eaton Company Limited, Toronto store, weekly wages.....	406
Table 98—The Robert Simpson Company Limited, Toronto store, weekly wages..	407
Table 99—Department stores, Montreal. Frequency distribution of female store employees (full-time) according to weekly rates of wages.....	408
Table 100—Department stores, Montreal. Frequency distribution of male store employees (full-time) according to weekly rates of wages.....	408
Table 101—Department stores, Winnipeg. Frequency distribution of store employees (full-time) according to weekly rates of wages.....	409
Table 102—Department stores. Cumulative percentage distribution of store employees according to weekly rates of wages, by cities, 1929-30 and 1933-34.....	410
Table 103—Department stores. Average weekly earnings of sales clerks, in certain stores, 1929-30 and 1933-34.....	411
Table 104—Comparison of average weekly earnings reported for census of occupations and average weekly wages of employees in department stores..	411
Table 105—Mail order departments. Frequency distribution of merchandise employees in the T. Eaton Company Limited, according to rates of wages, 1933.....	412

	PAGE
Table 106—Mail order departments. Frequency distribution of merchandise mail order employees in The Robert Simpson Company Ltd., Toronto, and Dupuis Freres Ltee, Montreal, according to weekly rates of wages, 1934.....	412
Table 107—Mail order department. Average weekly earnings of merchandise employees in certain mail order houses, 1929-30 and 1933-34.....	413
Table 108—Food chains. Summary of average weekly wages and commissions paid full-time male store employees in the Ontario divisions of certain companies, 1934.....	415
Table 109—Food chains. Summary of average weekly wages and commissions paid full-time female store employees in the Ontario divisions of certain companies, 1934.....	416
Table 110—Food chains. Proportions of employees receiving less than \$10 per week, 1934.....	417
Table 111—Food chains. Summary of average weekly wages and commissions paid full-time male store employees in the Quebec divisions of certain companies, 1934.....	418
Table 112—Food chains. Summary of average weekly wages and commissions paid full-time female store employees in the Quebec divisions of certain companies, 1934.....	418
Table 113—Food chains. Proportion of part-time to full-time employees.....	419
Table 114—Comparison of average weekly earnings of male employees in five food chains (Ontario divisions) and in 252 independent grocery and combination stores in Ontario, 1934.....	420
Table 115—Variety chains. Proportion of part-time female employees to full-time female employees, 1934 (excluding lunch counter employees).....	421
Table 116—Variety chains. Summary of average weekly wages and commissions paid full-time store employees, 1934 (excluding lunch counter employees).....	421
Table 117—Variety chains. Frequency distribution of all full-time female employees, 1934 (excluding lunch counter employees).....	422
Table 118—Comparison of average weekly earnings of female employees as reported for census of occupations and in F. W. Woolworth Co. Ltd.....	423
Table 119 (a)—Variety chains. Frequency distribution of full-time female clerks, 1934.....	423
Table 119 (b)—Variety chains. Frequency distribution of full-time female clerks, F. W. Woolworth Co. Ltd. (week ended April 14, 1934).....	424
Table 120—Drug chains. Average weekly wages of full-time store employees, 1934	424
Table 121—Differences in employment conditions, Canada and its provinces.....	426
Table 122—Comparison of standards of labour legislation in the provinces of Canada and in the states of Massachusetts, New York, Wisconsin and Washington.....	427
Chart VIII—Implementing of international labour conventions by provincial legislation, as of December 31, 1934.....	432
ANNEX VI—Further Statistics on Distribution.....	434
Table 123—Relative proportion of chain store sales to total sales for selected kinds of business in Canada and the United States.....	434
Table 124—Distribution of sales of manufacturing plants in Canada, 1930.....	434
Table 125—Number of chain store units operated in 1930 and number established later than 1925.....	435
Table 126—Number of companies, number of units and sales of grocery, combination and meat store chains combines, 1930-1933.....	435
Table 127—Number of chains, chain stores, total chain store sales and percentage of chain store sales to total sales.....	435
Table 128—Relative number of grocery and combination (groceries and meats) stores.....	437
Table 129—Percentage earned on investment selected stores.....	437
Chart VI—Total Sales, Eaton's and Simpson's, 1907-33.....	438
Chart VII—Total Sales, Department Stores, by cities, 1925-1933.....	438
ANNEX VII—Summary of Legislation of the Principal Industrial Nations relating to Trade Combinations.....	439

CONTENTS

xvii

	PAGE
ANNEX VIII—Combines Investigation Act.....	473
Part 1—Amendments Proposed by the Canadian Manufacturers' Association, Inc. . .	473
Part 2—Comments on proposed amendments.....	474
ANNEX IX—Memorandum on the use of taxation as a method of regulation, by the Honourable H. H. Stevens	484

SUMMARY OF RECOMMENDATIONS

CHAPTER III

CONCENTRATION AND THE CORPORATE SYSTEM OF BUSINESS

1. Amendments to the Dominion Companies Act:—

1. Abolition of shares of no-par value

or

A requirement that the *full* consideration received for no-par shares be credited to the capital account.

2. All premiums from the sale of par stock should be placed in the capital or non-distributable account.
3. All increases in surplus or reserves which result from an increase in asset values (as a consequence of write-ups, appraisals, etc.) should be regarded as capital surplus, i.e., incapable of having dividends charged against them.
4. Companies should be incorporated only for activities which they intend seriously to pursue at the time of incorporation. They should be prevented from engaging in activities not directly related to those for which they were incorporated, unless they have previously secured,
 - a. approval of the shareholders, and
 - b. supplementary letters patent.
5. A company's annual statement, together with the auditor's report, should be required to be published in the daily press and in *The Canada Gazette*, in such a way as to ensure the widest publicity.
6. The company should be also required to file such statements with a public authority more specifically with the Securities Board recommended below.
7. The responsibility for this publicity should be placed on the Board of Directors of the Company, who should file with the Securities Board, satisfactory proof that this obligation had been carried out. Suitable penalties should be provided for non-compliance with these provisions.
8. Annual statements should be given in more detail than at present and should include information under the following headings:—
 - a. Fixed and intangible assets to be given in more detail than at present;
 - b. Investments and securities—nature, and market value.
 - c. Inventories—so as to show raw materials in process of manufacture.
 - d. Accounts and Notes Receivable—in such a form as to make a distinction between current and overdue and doubtful accounts.
 - e. Executive salaries and bonuses—so as to show the number of executives and the total amount paid.
 - f. The amount, if any, by which fixed assets (including goodwill and other intangibles), have been written up.
9. The prospectus provisions of the present Act should be altered to place upon a company and its directors the responsibility for representations made on any offering for general public subscription, whether made on behalf of the company or not. If this change cannot be made through the Companies Act, it should be made a criminal offence to offer for public subscription, securities of a company with federal incorporation, if those securities have not been subjected to the prospectus obligations of the Dominion Companies Act.
10. Every prospectus should be required to state in clear detail all commissions, fees, and other remuneration received by promoters, underwriters or middlemen.
11. Whenever shares are allotted otherwise than through an offer to the public, a statement in lieu of prospectus should, as formerly, be filed. It should also be published in the press and in *The Canada Gazette* in such a way as to ensure the widest publicity.
12. The classes of shares that may henceforth be offered to the public should be limited to *common* and *preferred* without any subdivisions.
13. All shares offered, both common and preferred, should bear equal voting rights.
14. Management shares should be prohibited.
15. When the management of a company have become aware of the serious impairment of the capital of that company, they should be required forthwith to inform the directors of that fact, who shall be under obligation immediately to call a meeting of shareholders and put the above situation before them.

16. The first permanent directors of a company should be held responsible for all business transacted by the provisional directors.
 17. Directors should be prohibited from speculating in the shares of their companies. They should be required to disclose annually to their shareholders the extent to which they have directly or indirectly purchased or sold their company's shares during the year.
2. Provisions to Prevent "Stock-Watering":—
1. It should be made illegal for directors, promoters, etc., to issue fully paid-up shares unless the company receives for these shares, adequate consideration in cash, property, or services. The Courts should investigate the adequacy of such consideration, when such adequacy is involved in any litigation. If the Courts decide that inadequate consideration was given, then liability for the balance of the consideration unpaid should attach to the directors concerned, if it is shown that,
 - a. such directors had knowledge of the inadequacy of the consideration, or
 - b. failed to take reasonable steps to ascertain the adequacy of the consideration.
 2. A Securities Board should be set up, functioning as a section of the proposed Federal Trade and Industry Commission. Its functions would be:—
 - a. To review and investigate the proposed capital structure of all companies incorporated under the Dominion Act and desiring to issue stock to the public.
 - b. To pass on all such issues of bonds or stock after careful investigation.
 - c. To scrutinize the advertising and publicity material accompanying such issues.
 - d. The Board should have no power formally to approve; merely to reject.
 - e. No company or investment house whose proposed issue of shares has been under review, and not rejected, should be permitted to make any reference to that fact in its advertising literature.
 3. Appraisal companies should be made liable in damages to anyone suffering loss through the purchase of stock, to which purchase any such appraisal has contributed, if it can be shown that such appraisal was untrue in any material part, and that it was issued or published by the Appraisal Company.
 - a. without honest belief in its accuracy, or
 - b. without such company first having taken all reasonable means to verify the accuracy of the facts or opinions contained in the appraisal.
 4. Mining companies might be exempted from those specific recommendations concerning inadequacy of consideration, with the directors being liable for any inadequacy found, since such companies are by nature highly speculative.
 5. The whole trend of law should be towards putting the managers and directors in a trustee capacity, with respect to all security holders.

CHAPTER IV

INDUSTRY

Recommendations covering this Chapter will be found under "General Recommendations," Chapter IX. Such questions as: Competitive practices in the tobacco industry; territorial price discrimination in the fertilizer industry; discriminatory discounts in the rubber footwear industry; surplus capacity and unfair competition in the milling and baking industries; proposals for industrial self-government in the furniture industry, would all fall within the purview of the proposed Federal Trade and Industry Commission.

CHAPTER V

LABOUR AND WAGES

The major recommendations of this chapter are better administration of the labour laws now on both provincial and Dominion statute books, miscellaneous improvements in this legislation, a few types of new legislation, and more con-

tinuous study of, investigation into and publicity for the whole range of problems covered by the title of this chapter. In detail they are as follows:—

1. More complete organization of industry into employers' and trade associations. More adequate general statistical work and more intensive research into personnel problems. Collective bargaining by trade unions and associations.
2. More complete organization of workers into trade unions. More adequate recognition of trade unions by governments and employers.
3. More adequate appropriations, larger and better staffs for labour law administration, both Dominion and provincial.
4. Improved provincial minimum wage laws with
 1. enforcement and inspection,
 2. increased penalties for violation,
 3. minimum wage boards, having the power to order restitution of any deficiency in wage payment,
 4. no general exemptions to firms for any reason,
 5. no "80 per cent clause,"
 6. no "averaging,"
 7. rigorous definition of "inexperienced workers" and definite restriction of the proportion of them to the total force in any factory,
 8. a careful reconsideration of regional differentials, if any, in the legal minimum wage set,
 9. minimum wage laws for men,
 10. non-partisan administrative personnel.
5. Hours of labour laws.
 1. Administered by the minimum wage or other appropriate authority, which should determine both the hours for which the minimum wage is payable and the maximum hours which may legally be worked,
 2. Maximum hours of labour for men.
 3. Reduction in the standard hours of labour which should certainly not exceed 44 hours per week as a maximum.
 4. Flexibility in the administration of such laws permitting long hours when necessary, with time-and-a-half and double-time for overtime.
6. Employment Records.

Legal requirement that every employer keep, in either French or English, a complete set of employment records.
7. The extension of collective labour agreements by law, provided:
 1. that there must be no impairment of the right to strike,
 2. that the agreement is genuinely representative of the recognized interests of a majority of the workers in the industry,
 3. that the law be not used as a method of crystallizing low wage rates, and
 4. that the law must protect the public interest against the possible danger of monopolistic combination of employers and workers.
8. Amendment to the Criminal Code to make certain undesirable industrial relations practices indictable offences.
9. Amendment of the Fair Wages and Eight Hour Day Act, 1930.
 1. to cover all Dominion contracts, direct or indirect,
 2. to authorize the Department of Labour to determine and define "fair wages and conditions" in the occupations and industries affected, and
 3. to restrict the bidding on public contracts to a "white list" of eligible bidders.
10. Industrial disputes investigation.

The I. D. I. A. or the Inquiries Act should be amended, if necessary, and utilized to bring within the scope of public investigation a wider range of industries, but without restriction of the right to strike.

11. More and better labour statistics.

12. Division of Research, Standards and Services.

The creation in the federal Department of Labour of an entirely new division under thoroughly competent supervision, adequately staffed and financed, for the following purposes:—

1. General research into industrial relations.
2. The provision of information, advice, and service to provincial departments of labour, employers and workers.
3. The drafting of model labour statutes with explanatory memorandum for legislative committees, etc.
4. The planning and management of Dominion-Provincial Conferences on matters such as International Labour Conventions, or uniform provincial labour laws.

13. National regulation of employment conditions preferably by Dominion legislation, if feasible, or, alternatively by inter-provincial co-operation.

1. Through exploration of the constitutional possibility of the enactment of Dominion labour legislation.
2. If such legislation is now precluded by insuperable constitutional obstacles, the necessary amendment of the B.N.A. Act.
3. The creation of an unpaid, permanent, representative, rotating, and non-partisan, Advisory Council to the Dominion Minister of Labour, for the following purposes:
 - a. To work out the general principles and procedure of effecting the necessary readjustments after the Dominion legislation is enacted.
 - b. To plan for decentralized but uniformly efficient administration, through provincial Departments of Labour, if possible.
 - c. Regardless of the enactment of Dominion labour legislation, generally to encourage and promote public understanding of the problems of labour relations, legislation and administration.
 - d. And for such other purposes as the Governor in Council or Minister may determine.
4. Pending the settlement of the constitutional question of Dominion or provincial competence, annual convocation of a Dominion-Provincial Labour Conference to consider:
 - a. Methods of harmonizing provincial labour legislation.
 - b. The implementing of International Labour Draft Conventions.

The agenda for such Dominion-Provincial Labour Conferences and all memoranda should be drafted and circulated by the proposed Division of Service and Standards of the Dominion Department of Labour.

CHAPTER VI

PRIMARY PRODUCER

1. The Fruit and Vegetable Grower:

1. The extension to all canning plants and to all produce of the experimental inspection service begun in 1934 and designed to check deliveries of fruit and vegetables for quality, grading and weight. This should remove complaints of arbitrary and excessive "dockage."

2. The Live Stock Producer:

1. Direct shipments of live stock to packers' yards to be subject to the same rules of weighing, grading, publication of prices, deliveries, sales, competition and supervision as shipments are to the public stock yards.
2. Regulations to be passed to permit producers, where they so desire, to sell stock by auction, on the public stock yards.
3. Live stock commission agents' charges should be based on a lower specific charge plus a commission reckoned on the value of the live stock sold.
4. All commission agents to be licensed and their responsibilities clearly defined by the Dominion Government.
5. All truckers to be licensed and bonded, and to use standard bills of lading. Truckers to be prohibited from selling stock themselves.
6. The sale of hogs by fixed differentials to be discontinued with the exception of the premium on selects and each grade of hogs to be sold separately at whatever price it will bring.

7. Grading of hogs on the rail to be introduced and developed where producers desire it and conditions make it possible; grading of live hogs by Department of Agriculture officials to be continued.
8. Cattle to be graded and sold on grades. All live cattle to be graded before export to Great Britain.
9. A percentage of cutter and canner beef to be removed from the meat trade and diverted to other uses, such as fertilizer or tankage.
Diseased, old, and thin stock to be kept off the fresh meat market entirely.
10. Municipal and small abattoirs to be placed under the Health of Animals Branch, Department of Agriculture.
11. Consumer grades for meats.
12. "A" grade bacon for export to be composed of sides from select and bacon hogs only.
13. Grading of bacon and hams for export to be done in Canada by qualified government inspectors.
14. Reduction of freight rates on live stock for export.
15. A Live Stock Board to be established under appropriate jurisdiction with the following duties:
 - a. The prompt dissemination of information to producers and the trade generally, in respect to production, marketing, stocks, and prices, both export and domestic;
 - b. Administrative jurisdiction in matters connected with all phases of live stock marketing and in connection with disputes between producers, processors, etc.;
 - c. Licensing and supervision of truckers, dealers and export packers; where necessary in co-operation with provincial authorities;
 - d. Adequate inspection of all marketing stages and action to correct abuses;
 - e. Co-operation with producers, processors, and the trade generally, to ensure as far as possible a balance between production and available markets;
 - f. To encourage the organization of producers of live stock for regular and orderly marketing;
 - g. Improvement of quality of all live stock;
 - h. The formation of a uniform policy on external marketing, with a view not only to promoting new, but also to retaining and developing, existing markets;
 - i. The stabilization of supplies, and the regulation of quality to each particular market;
 - j. The utilization of all available means to secure fair returns to the primary producers of good stock.
16. The Live Stock Board to make a careful survey of the situation in the British market, with a view to:
 - a. Ascertaining to what extent Canadian packers and the British Bacon Committee operate as a mutual body; and
 - b. To revise the grading of export bacon so as to ensure the highest possible price for Canadian "selects" and "bacon" hogs; and
 - c. To secure such a system of distribution as will satisfactorily meet the requirements of the British trade, while at the same time insuring full and adequate protection to the producer of hogs in Canada.

3. Fisheries.

1. The present system of culling and weighing fish purchased from fishermen by the distributing companies to be revised.
2. Uniform zone freight and express rates for fish, from Atlantic Coast points.
3. Adequate official and compulsory inspection for all fish, whether for export or domestic consumption.
4. Trawler operations to be gradually discontinued by Government prohibition.
5. Encouragement of the co-operative movement.
6. Establishment of a Fisheries Control Board with the following duties:
 - a. To make every possible effort to raise the price to the fisherman.
 - b. The elimination of misrepresentation of varieties and grades of fish as now prevailing in the retail markets in Canada.
 - c. The establishment of a higher standard of quality of fish marketed in Canada by regulating the conditions under which fish, and especially fresh fish, may be handled.
 - d. The establishment of adequate inspection of grades as affecting products for the Canadian and export markets.
 - e. The elimination of consignment shipments.
 - f. The elimination of cut-throat competition and other unsound trade practices.
 - g. The direction of surplus production of fish through channels calculated to bring the most profitable financial return.
 - h. A thorough survey of conditions surrounding, as well as the disabilities retarding development of existing and potential export markets.

7. Local advisory committees to assist the Control Board: at least five, as follows:—
 1. On Fresh Fish.
 2. On Dried and Cured Fish.
 3. On the Herring Fisheries.
 4. On the Pickled Fish Industry.
 5. On Lobsters, Salmon, etc.
 8. The Dominion Government should give early and favourable consideration to the establishment of a limited fund for the extension of credit to fishermen for the purchase, or repair of equipment, gear, etc.
4. General.
- Official encouragement to primary producers to organize for co-operative marketing.

CHAPTER VII

RETAIL DISTRIBUTION

The practices and problems discussed in this chapter are those which would fall under the purview of the Federal Trade and Industry Commission. Our recommendations, therefore, in connection with distribution generally, will be found under the General Recommendations of Chapter IX.

Certain specific recommendations are, however, made in this chapter with respect to the Consumers' Co-operative Movement, as follows:—

1. Consideration of the possibility of federal legislation for the incorporation and regulation of consumers' co-operatives, enabling them to do business under the same conditions as any federally-incorporated company.
2. Prohibition of the use of the word "co-operative" in any trade mark or as part of any trade name except by a bona fide co-operative company, organized as such.

CHAPTER VIII

THE CONSUMER

1. Consumer Standards: Marking, Labelling, etc.
 1. Extension of the functions of the National Research Council to include the preparation of consumer standards and specifications and the analysis and testing of consumer products.
 2. Creation of a Consumer Commodity Standards Board, as a section of the Federal Trade and Industry Commission, with the following duties:—
 - a. The establishment of consumer standards. A list of suggested products for immediate attention is given.
 - b. Enforcement of such standards as might be established.
 - c. Publication of findings of non-conformity to standards set up, of harmful or injurious substances, or of excessive price spreads.
 3. Authorization of the Research Council to analyze or test products on request, and at a charge to cover expenses. Such analyses or tests are for consumers alone and it should be provided that the results cannot be used for advertising or commercial purposes.
 4. In order to prevent adulteration, the National Research Council should be instructed to compile a dictionary of trade names of products which shall be accepted in all commercial transactions in courts of law.
 5. The registered name and place of business of the true manufacturer of a product should be required upon the product, whether it is sold under his brand or not.
 6. A term "Canada Standard" should be adopted exclusively for products conforming to official standards as established.
 7. All grade designations to be numerical, as Grade 1, Grade 2, etc. Exceptions, in favour of alphabetical grades, may be provided when necessary. No more than one grade should ever, under any conditions, be permitted above Grade 1 or Grade A, and this only for a very small percentage of the product.

8. Grade designations should be unmistakably set out on the product.
9. In the case of products of which a knowledge of the ingredients or formula is necessary to their proper use, such should be shown.

2. Amendments to the Weights and Measures Act.

1. The principle of net weight should be modified to permit the inclusion of paper bags or wrappers in the weight of bulk goods sold over the counter and weighed by the merchant at the time of sale.
2. The maximum weight to be permitted for paper bags or wrappers should be fixed by Order in Council in relation to the weight of the contents.
3. In the case of any product liable to shrinkage through evaporation, the "net weight" should be interpreted as the anhydrous weight. Standards of moisture content for all commodities should be determined by the competent department of the Government, and published by Order in Council.
4. The number of inspectors in the Weights and Measures Inspection Service should be increased.
5. Penalties for breach of the Act should be more severe.
6. Provision should be made for the standardization by Order in Council of the quantities in which any packaged commodity, whether a food product or not, may be sold.
7. For food stuffs sold by weight or volume, packages and containers should be permitted only in the sizes presently authorized under the Meat and Canned Foods Act.
8. Net weight should be clearly marked on all goods, whether food products or not, which are packaged in advance of sale by manufacturer, wholesaler, or retailer. The only exception should be bulk goods sold over the counter and weighed by the retailer in the presence of the customer.
9. Certain exceptions, as outlined, should be permitted to the requirements suggested under 6, 7 and 8 above.
10. The regulations proposed above should apply to all imported goods, with certain exceptions as specified.

3. False and Misleading Advertising.

1. Amendment of Sub-Section 2, Section 406 of the Criminal Code, by the deletion of the sentence "provided further that in any prosecution under this sub-section, the case may be dismissed if it be established to the satisfaction of the court upon proper evidence that the accused acted in good faith."
2. Any statement or guarantee of performance, efficacy or length of life of any product, to be made an offence in itself unless based upon an adequate and proper test, such as a test by the National Research Council or other competent department of the Government.

CHAPTER IX

THE PROBLEM OF STATE CONTROL

GENERAL RECOMMENDATIONS

1. Federal Trade and Industry Commission.

1. Structure:

- a. To consist of five members appointed by the Governor in Council, as a semi-autonomous Board under the President of the Privy Council.
- b. Its status both in its authority and in its relation to the responsible Minister and Parliament, to be similar to that of the Board of Railway Commissioners.

2. Functions:

a. Administrative

- (1) Rigorous administration of an amended Combines Investigation Act, for the purpose of retaining and restoring competition whenever possible.
- (2) On instruction from the Governor in Council, to regulate monopoly, when competition cannot or should not be restored or enforced.
- (3) On instruction from the Governor in Council, to sanction and supervise agreements for industrial self-government.
- (4) To prohibit unfair competitive practices.
 - (a) Such practices should not be set out in detail in the Act setting up the Commission, but a general definition of unfairness should be included

- (b) A definition for this purpose is suggested.
- (c) Certain practices such as discriminatory discounts, rebates and allowances, territorial price discrimination and predatory price-cutting should be included within this definition.
- (d) The Commission should act by inquiry, hearings and where necessary, prohibitory orders.
- (e) An appeal from these orders to the Exchequer Court of Canada, should be permitted.
- (f) The Commission should be given adequate power, as outlined, for the enforcement of its orders.
- (g) In more serious cases, the Commission might prosecute directly under the Act for the offence of competing unfairly.
- (h) The results of its major findings should be published.
- (5) To supervise generally, or co-operate in the administration of existing laws relating to merchandising and business practices for which no other agency exists.
- (6) To administer new laws for the protection of the consumer.
- (7) To administer the regulation of new security issues for protection of the investor.
- (8) To co-operate with Chambers of Commerce and Boards of Trade in the development of commercial arbitration or the refereeing of business disputes.
- (9) To co-operate with other Government agencies, whether federal, provincial or municipal, in the solution of trade and industrial problems.

b. Advisory

(1) To Government

- (a) To recommend to the Governor in Council the recognition and regulation of monopoly in special situations where competition cannot be restored.
- (b) If so requested by an industry, and after investigation, to recommend to the Governor in Council the granting of powers of "self-government" in special situations where competition seems undesirable.
- (c) To recommend to the Governor in Council such regulatory measures as each such situation seems to require under (a) or (b).

(2) To Industry

In co-operative trade practice conferences to advise industry and secure its advice about the elimination of unfair trade practices.

c. Investigation and Publicity

- (1) Full power to inquire into the organization and practices of any industry.
- (2) General economic investigation.
- (3) Full publicity to the results of any investigation.
- (4) Authority to require that firms or industries publish such information about prices or other matters as may be in the public interest.

2. Amendments to the Combines Investigation Act.

- 1. To facilitate the application of the Act to single unit monopolies, as well as to combinations in restraint of trade, a definition of monopoly is given which should be included in the Act.
- 2. Section 28 of the Act should be amended to ensure that reports of inquiries by the Registrar, when the inquiry has been such as a Commissioner would make, should be subjected to the same provisions in respect to publication as are Commissioner's reports.

3. Proposals for the Extension of the General Statistical Work of the Dominion Bureau of Statistics.

THE ROYAL COMMISSION

CANADA

GEORGE THE FIFTH, by the Grace of God of Great Britain, Ireland and the British Dominions beyond the Seas King, Defender of the Faith, Emperor of India.

T. RINFRET,
Deputy Governor General,
(L.S.)

To all to whom these Presents shall come or whom the same may in anywise concern,

GREETING:

WHEREAS a Select Special Committee was appointed by resolution of the House of Commons passed on February 2, 1934, in the following terms:

"That a Select Special Committee of eleven members of the House be appointed to inquire into and investigate the causes of the large spread between the prices received for commodities by the producer thereof, and the price paid by the consumers thereof; and the system of distribution in Canada of farm and other natural products, as well as manufactured products, and, without restricting the generality of the foregoing, more particularly to inquire into and investigate;

"(a) the effect of mass buying by department and chain store organizations upon the regular retail trade of the country, as well as upon the business of manufacturers and producers;

"(b) the labour conditions prevailing in industries supplying the requirements of such department and chain store organizations, and the extent, if any, to which existing conditions have been brought about by the purchasing practices of such organizations, and the effect thereof upon the standard of living amongst those employed in such industries and organizations;

"(c) the relation between the flour milling industry and the bakeries of the country, and the effect of such relations upon the baking industry of Canada;

"(d) the methods and system prevailing in the marketing of live stock and animal products for domestic consumption and export, and the extent to which the present system affords or restricts opportunity for fair returns to producers.

"That the committee shall have power to send for persons, papers and records and the further power to request the appointment of a commission or commissioners under the Inquiries Act, to secure evidence to be presented to the committee by such commission or commissioners.

"That the committee shall report to the House from time to time its findings, together with the recommendations of such measures as in the opinion of the committee may be considered necessary to secure, as far as possible, fair and just practices in the distribution and marketing systems of Canada, with fair and just returns to producers, employees and employers, not inconsistent with the rights of consumers."

AND WHEREAS owing to the prorogation of Parliament the said Select Special Committee was unable to complete the said inquiry and recommended to the House of Commons that the investigations and inquiry be continued and completed and that for the purposes aforesaid the members of the said committee be appointed commissioners under the provisions of Part 1 of the Inquiries Act, Revised Statutes of Canada, 1927, Chapter 99.

AND WHEREAS pursuant to the provisions of the said the Inquiries Act His Excellency the Governor General in Council by Order, P.C. 1461, of the seventh

day of July in the year of Our Lord one thousand nine hundred and thirty-four, copy of which is hereto annexed, has authorized the appointment of Our Commissioners therein and hereinafter named to continue, complete and report on the inquiry into those matters mentioned in the aforesaid reference to the Select Special Committee of the House in respect of chain stores, agricultural implements, fish, flour mills and bakeries, canning of fruit and vegetables and to hear evidence of any person who may be affected by the matters heretofore considered by the said committee, and who may desire to be heard before Our said Commissioners.

NOW KNOW YE that by and with the advice of Our Privy Council for Canada, We do by these presents nominate, constitute and appoint the Honourable H. H. Stevens, Thomas Bell, James Ilsley, Jean-Louis Baribeau, Oscar L. Boulanger, Alexander McKay Edwards, Samuel Factor, Donald MacBeth Kennedy (*Peace River*) William Walker Kennedy (*Winnipeg South Centre*), Mark Senn and Edward James Young, Members of the House of Commons, to be Our Commissioners to continue, complete and report on the inquiry into those matters mentioned in the aforesaid reference to the Select Special Committee of the House in respect of chain stores, agricultural implements, fish, flour mills and bakeries, canning of fruit and vegetables and to hear evidence of any person who may be affected by the matters heretofore considered by the said committee and who may desire to be heard before Our said commissioners.

TO HAVE, HOLD, EXERCISE AND ENJOY the said office place and trust unto the, said the Honourable H. H. Stevens, Thomas Bell, James Ilsley, Jean-Louis Baribeau, Oscar L. Boulanger, Alexander McKay Edwards, Samuel Factor, Donald MacBeth Kennedy, William Walker Kennedy, Mark Senn, and Edward James Young during Our pleasure.

And the said commissioners are hereby authorized to engage the services of counsel, secretary, accountants, technical advisers, reporters, clerks, stenographers and investigators to aid and assist the said commissioners in the inquiry, and to print the evidence, proceedings and documents received by the commission, and that the meetings of the said commission be held at the city of Ottawa at such places and at such times as they may consider expedient for the purposes of the inquiry; and that the commissioners shall hold such office without any salary, fees, wages, allowances, emolument or other profits of any kind attached thereto under the provisions of the Senate and House of Commons Act, Revised Statutes of Canada, 1927, Chapter 147, Section 11.

And We do hereby require and direct Our said commissioners to report to the Minister of Trade and Commerce at his office in the Department of Trade and Commerce the result of their investigation.

And We do further appoint the said the Honourable H. H. Stevens, M.P., to be chairman of Our said commission.

IN TESTIMONY WHEREOF We have caused these Our Letters to be made Patent and the Great Seal of Canada to be hereunto affixed.

WITNESS, Our Right Trusty and Well-beloved Counsellor the Honourable Thibaudeau Rinfret, one of the Judges of the Supreme Court of Canada and Deputy of Our Right Trusty and Right Well-beloved Cousin and Counsellor, Vere Brabazon, Earl of Bessborough, a Member of Our Most Honourable Privy Council, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, formerly Captain in Our Territorial Army, Governor General and Commander-in-Chief of Our Dominion of Canada.

At Our Government House, in Our City of Ottawa, this seventh day of July in the year of Our Lord one thousand nine hundred and thirty-four and in the twenty-fifth year of Our Reign.

By Command,

E. H. COLEMAN,
Under Secretary of State.

P. C. 1461

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by the Deputy of His Excellency the Governor-General on the 7th day of July, 1934.

The Committee of the Privy Council have had before them a report, dated 6th of July, 1934, from the Right Honourable Richard Bedford Bennett, the Prime Minister, submitting:—

That a Select Special Committee was appointed by Resolution of the House of Commons passed on February 2nd, 1934, in the following terms:—

“That a Select Special Committee of eleven members of the House be appointed to inquire into and investigate the causes of the large spread between the prices received for commodities by the producer thereof, and the price paid by the consumers therefor; and the system of distribution in Canada of farm and other natural products, as well as manufactured products, and, without restricting the generality of the foregoing, more particularly to inquire into and investigate:—

“(a) the effect of mass buying by department and chain store organizations upon the regular retail trade of the country, as well as upon the business of manufacturers and producers;

“(b) the labour conditions prevailing in industries supplying the requirements of such department and chain store organizations, and the extent, if any, to which existing conditions have been brought about by the purchasing practices of such organizations, and the effect thereof upon the standard of living amongst those employed in such industries and organizations;

“(c) the relation between the flour milling industry and the bakeries of the country, and the effect of such relations upon the baking industry of Canada;

“(d) the methods and system prevailing in the marketing of live stock and animal products for domestic consumption and export, and the extent to which the present system affords or restricts opportunity for fair returns to producers.

“That the committee shall have power to send for persons, papers, and records, and the further power to request the appointment of a commission or commissioners under the Inquiries Act, to secure evidence to be presented to the committee by such commission or commissioners.

“That the committee shall report to the House from time to time its findings, together with recommendations of such measures as in the opinion of the committee may be considered necessary to secure, as far as possible, fair and just practices in the distribution and marketing systems of Canada, with fair and just returns to producers, employees, and employers, not inconsistent with the rights of consumers.”

That pursuant to the said Resolution of the House of Commons referred to, the committee was in session on sixty separate days and heard and examined under oath various witnesses, and under the powers conferred upon it, appointed auditors and investigators to examine into matters pertinent;

That the committee on the 29th day of June, 1934, reported that the said inquiry had not yet been completed; that until the inquiry was completed the committee could not finally report to the House of Commons; that it would not be possible to bring the inquiry to completion before prorogation of Parlia-

ment to enable such report to be made; that, under the rules of Parliament, the powers of the said committee cease on prorogation and being fully seized of the necessity of completing the work undertaken, the committee recommended to the House of Commons that the investigations and inquiry be continued and completed and that for the purposes aforesaid the members of the said committee be appointed commissioners under the provisions of Part I of the Inquiries Act, Chapter 99 of the Revised Statutes of Canada (1927); and

That the report of the Select Special Committee above referred to was adopted by the House of Commons on the 30th day of June, 1934.

The Prime Minister, therefore, recommends:—

1. That the personnel of the Select Special Committee, aforesaid, namely, Honourable H. H. Stevens, M.P., Chairman, Thomas Bell, M.P., James Ilsley, M.P., Jean-Louis Baribeau, M.P., Oscar L. Boulanger, M.P., Alexander McKay Edwards, M.P., Samuel Factor, M.P., Donald MacBeth Kennedy, M.P. (*Peace River*), William Walker Kennedy, M.P. (*Winnipeg South Centre*), Mark Senn, M.P., and Edward James Young, M.P.,

be appointed commissioners under the provisions of Part I of the Inquiries Act, Revised States of Canada, 1927, Chapter 99, to continue, complete and report on the inquiry into those matters mentioned in the aforesaid reference to the Select Special Committee of the House in respect of chain stores, agricultural implements, fish, flour mills and bakeries, canning of fruit and vegetables, and to hear evidence of any person who may be affected by the matters heretofore considered by the said committee, and who may desire to be heard before the commissioners.

2. That the commissioners be authorized to engage the services of counsel, secretary, accountants, technical advisers, reporters, clerks, stenographers and investigators to aid and assist the said commissioners in the inquiry, and to print the evidence, proceedings and documents received by the commission, and that the meetings of the said commission be held at the city of Ottawa at such places and at such times as they may consider expedient for the purposes of the inquiry; and that the commissioners shall hold such office without any salary, fees, wages, allowances, emolument or other profits of any kind attached thereto under the provisions of the Senate and House of Commons Act, Revised Statutes of Canada, 1927, Chapter 147, Section 11; and that the commissioners report to the Minister of Trade and Commerce.

3. That the Honourable H. H. Stevens be appointed chairman of the said commission.

The committee concur in the foregoing recommendations and submit the same for approval.

E. J. LEMAIRE,
Clerk of the Privy Council.

P.C. 2743

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 29th of October, 1934.

The Committee of the Privy Council, on the recommendation of the Right Honourable Richard Bedford Bennett, the Prime Minister, advise that William Walker Kennedy, Esq., K.C., M.P., be appointed chairman of the commission constituted under Part I of the Inquiries Act, by Order in Council P.C. 1461, July 7, 1934, to continue the inquiry into the spread of prices, etc., in the place of the Honourable H. H. Stevens, resigned.

E. J. LEMAIRE,
Clerk of the Privy Council.

P.C. 2946

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 19th day of November, 1934.

The Committee of the Privy Council have had before them a report, dated November 17, 1934, from the Right Honourable the Prime Minister, stating that on the 7th day of July, 1934 Your Excellency, by Order in Council, P.C. 1461, appointed:

Honourable H. H. Stevens, M.P., Chairman,
Thomas Bell, M.P.,
James Ilsley, M.P.,
Jean-Louis Baribeau, M.P.,
Oscar L. Boulanger, M.P.,
Alexander McKay Edwards, M.P.,
Samuel Factor, M.P.,
Donald MacBeth Kennedy, M.P. (*Peace River*),
William Walker Kennedy, M.P. (*Winnipeg South Centre*),
Mark Senn, M.P., and
Edward James Young, M.P.,

commissioners under the provisions of Part I of the Inquiries Act, Revised Statutes of Canada, 1927, Chapter 99, for the purpose of continuing, completing and reporting on certain matters mentioned in a resolution passed by the House of Commons of Canada, on the 2nd day of February, 1934, which resolution is fully set forth in the aforesaid Order in Council.

That doubts have arisen as to whether the powers conferred by the said Order in Council are sufficiently explicit to enable the said commissioners to deal with all the matters referred to in the resolution of the House of Commons of Canada, of the 2nd day of February, 1934, aforesaid.

The Prime Minister recommends that the said commissioners named in Order in Council P.C. 1461 of the 7th day of July, 1934, and Order in Council P.C. 2743 of the 29th day of October, 1934, be authorized and empowered to continue, complete and report on all or any matters referred to in the aforesaid resolution passed by the House of Commons of Canada on the 2nd day of February, 1934.

That the said Order in Council, P.C. 1461 of the 7th day of July, 1934, except as varied by Order in Council, P.C. 2743, of the 29th day of October, 1934, and by this Order in Council, be confirmed.

The Committee concur in the foregoing recommendation and submit the same for approval.

E. J. LEMAIRE,
Clerk of the Privy Council.

Report,
reservations
minority

OTTAWA, April 9, 1935.

The Hon. R. B. HANSON, K.C., M.P.
MINISTER OF TRADE AND COMMERCE,
OTTAWA, ONT.

SIR,—As Chairman of the Royal Commission on Price Spreads, appointed by Order in Council P.C. 1461 of July 7, 1934, I have the honour to report that we have concluded our inquiry in pursuance of the terms of reference contained in that and subsequent Orders in Council, and beg leave to submit thereon the attached report.

It should be noticed that Messrs. Boulanger, Factor and Ilsley have signed the report with reservations set forth in the accompanying addendum, and that Mr. Young has written a minority report which is also submitted herewith.

I have the honour to be, Sir,

Your obedient servant,

W. W. KENNEDY,
Chairman.

CHAPTER I

INTRODUCTORY

On the second day of February, 1934, the House of Commons passed the following Resolution:—

“That a Select Special Committee of eleven members of the House be appointed to inquire into, and investigate the causes of the large spread between the prices received for commodities by the producer thereof, and the price paid by the consumers therefor; and the system of distribution in Canada of farm and other natural products, as well as manufactured products, and, without restricting the generality of the foregoing, more particularly to inquire into and investigate,

“(a) the effect of mass buying by department and chain store organizations upon the regular retail trade of the country, as well as upon the business of manufacturers and producers;

“(b) the labour conditions prevailing in industries supplying the requirements of such department and chain store organizations, and the extent, if any, to which existing conditions have been brought about by the purchasing practices of such organizations, and the effect thereof upon the standard of living amongst those employed in such industries and organizations;

“(c) the relation between the flour milling industry and the bakeries of the country, and the effect of such relations upon the baking industry of Canada;

“(d) the methods and system prevailing in the marketing of live stock and animal products for domestic consumption and export, and the extent to which the present system affords or restricts opportunity for fair returns to producers.

“That the committee shall have power to send for persons, papers, and records, and the further power to request the appointment of a commission or commissioners under the Inquiries Act, to secure evidence to be presented to the committee by such commission or commissioners.”

Pursuant to the above Resolution, the House of Commons on the thirteenth day of February, 1934, appointed Messrs. Stevens, Baribeau, Bell (*St. John-Albert*), Boulanger, Edwards, Factor, Ilsley, Kennedy (*Peace River*), Kennedy (*Winnipeg, South Centre*), Senn, and Young to be members of the Select Special Committee above referred to.

On the 29th day of June, 1934, the Select Special Committee submitted the following report to the House of Commons:—

“Pursuant to the Resolution of the House of Commons of February 2, 1934, above referred to, your committee has been in session on sixty separate days and has heard and examined under oath various witnesses, and under the powers conferred upon it, appointed auditors and investigators to examine into matters pertinent to the said Order of Reference and coming within its purview. Due to the voluminous character of the evidence and the limited time at the committee's disposal it has not been possible for the committee to complete the investigation and inquiry contemplated by the terms of the Resolution and to report thereon before prorogation.

Under the rules of Parliament, the powers of your committee cease on prorogation, and being fully seized of the necessity of completing the subject matter of the said Resolution, your committee begs to recommend:—

That the inquiry be continued;

That the members of this committee be appointed commissioners under the provisions of Part 1 of the Inquiries Act, Chapter 99 of the Revised Statutes of Canada (1927), to continue and complete their investigations and inquiry;

That the commissioners be authorized to engage the services of counsel, secretary, accountants, technical advisers, reporters, clerks, stenographers and investigators to aid and assist the said commissioners in the inquiry, and to print the evidence, proceedings and documents received by the commission;

That the records, exhibits and evidence received and taken by the said Special Committee be made available to the commission;

That the commissioners may hold meetings at such places and at such times as they may consider expedient for the purpose of the inquiry; and

That the commissioners report their findings to the Minister of Trade and Commerce.

A copy of the evidence and proceedings taken is submitted with this report.

H. H. STEVENS,

Chairman.

As a result of the recommendations contained in this report, which was adopted by the House on June 30, 1934, the personnel of the Select Special Committee were appointed, by Order in Council P.C. 1461, commissioners under the provisions of Part 1 of the Inquiries Act, Chapter 99 of the Revised Statutes of Canada (1927); with powers as set forth in the above Order in Council, as amended by Order in Council P.C. 2743 of October 29, 1934, and P.C. 2946 of November 19, 1934.

The Select Special Committee held sixty sessions, the first on February 22, 1934, and the last on June 22, 1934. The commission held sixty-five sessions, the first on October 30, 1934, and the last on February 1, 1935. All sessions were held in Ottawa.

During our sessions as a committee and commission,¹ 270 witnesses (the list of whom is attached to this report as Annex I) appeared before us—private individuals, federal Government officials, and representatives of provincial Governments, public bodies, corporations, co-operative and trade associations. The verbatim evidence both of the committee and of the commission which, together with an index, is being submitted with this report, amounts to 8,277 printed pages.

In addition to verbal evidence, we received numerous petitions, written representations and communications of all kinds bearing on our inquiries. Many of these are to be found among the 440 exhibits which were filed with the commission. The list of documentary exhibits is attached as Annex II.

The wide nature of our terms of reference made any uniform method of investigation impossible. In some cases it was possible to conduct an exhaustive survey into the trade or industry under investigation by an examination of the records of the companies in question. In other cases, it was not practicable to follow this method. At times we had to rely almost entirely on verbal evidence

¹ Subsequently in the Report, "Commission" will include "Committee" unless the contrary is specifically stated.

supplemented by written communications. In many cases the evidence we received was supplemented by more general statistical and economic investigations conducted by our own staff.

Though our terms of reference were wide, considerations of time prevented us from acceding to many of the requests which were made to us for inquiry into certain specific matters. As our work progressed, we received an increasing number of such requests. These covered almost every phase of Canadian economic life. We were, for instance, asked to inquire into the following industries or occupations: mining, electric light and power, electrical supplies, pulp and paper, lumbering, oil and gasoline, oil burner manufacturing, broom and basket making, quarrying, railroading, automobile manufacturing, biscuit manufacturing, plumbing, manufacture of leather goods, printing and stationery, brewing, shoe repairing, painting and decorating, hair dressing, radio manufacturing, cleaning and dyeing, and trucking; the sale and distribution of coal, motion pictures, fruit, tea and coffee, jewellery; the operations of loan and finance companies, stock brokers, insurance companies, and the Bell Telephone Company; medical and dental fees, funeral costs, postal rates, express charges, conditions in domestic and agricultural service; labour and employment conditions in numerous individual establishments.

Though we were not able to accede to the above requests for investigations, we did examine conditions in the following trades or industries: agricultural implements, baking, canning, can manufacturing, clothing and needle trades, fertilizer manufacturing, fishing, flour milling, furniture manufacturing, live stock and meat packing, rubber goods, textiles (in all its branches), tobacco; as well as the field of retail distribution in all its phases. Special attention was given to the more specific problems mentioned in our terms of reference, with special emphasis on the condition of the wage-earner and the primary producer.

During the course of our hearings, every effort was made to ensure that any person, firm or corporation who might be affected in any way by the evidence that was taken, or investigation made, should be given full opportunity to come before us and give evidence.

Owing to the variety of the subjects investigated and the interests concerned—producer, manufacturer, distributor, wage-earner, and consumer—it was not easy to compile a report which would be of reasonable length and possess both unity and clarity. At first sight, indeed, it appeared that the separate and distinct problems which emerged in the evidence called for separate treatment and almost separate reports. On closer study, however, it became clear that many of the grievances complained of, and the problems disclosed, were manifestations of one fundamental and far-reaching social change, the concentration of economic power. This idea, therefore, runs through the whole of our report and gives it a certain unity which it might not otherwise possess.

In the immediately following chapter, we discuss the economic background in an attempt to explain the significance of this concentration, with special reference to the disappearance of what the economists call "simple" competition. This procedure is not only advisable in view of the importance of the subject, but it is also necessary in fairness to the individuals concerned; for it will appear that often the pressure of economic forces, rather than conscious purpose, is the principal cause of the unethical business practices disclosed.

We follow the discussion of the economic background and the concentration of economic power with an examination of various manifestations of this concentration which came before us in evidence.

In Chapter III, we refer to the concentration of corporate wealth as a factor in the conditions which bred many of the grievances complained of. In addition to its contribution to the general problem, this chapter deals with corporate practices and abuses during recent years and suggests certain remedies for them.

In Chapter IV, we discuss the industries investigated, with particular reference to the growth of large productive units and the power of these units to influence the condition of the wage-earner and the primary producer.

Chapter V follows naturally with a discussion of labour and wage conditions, while Chapter VI deals with the plight of the primary producer.

In Chapter VII, we discuss the development and effect of concentration in retail distribution. The growth of the large scale distributor is described, and particular reference is made to the effects of mass buying.

Chapter VIII is devoted to the consumer and we submit certain recommendations for his protection.

Chapter IX deals with the fundamentally important question of state intervention in business, with particular reference to the nature, methods, and complexities of such intervention. We outline briefly in this chapter recent experience with government regulation in various countries, including our own, and conclude with proposals of a general character, which we hope will be of assistance in solving some, at least, of the problems which were submitted to us.

To our Secretary, Mr. L. B. Pearson, our assistant secretaries, Messrs. J. M. Boyer and R. A. Cameron, and to the other members of our staff, who have discharged their arduous duties under no ordinary pressure, with unusual efficiency and devotion to duty, we are under a debt of gratitude which we find it impossible adequately to express. We must also record our appreciation of the generous co-operation we have received from many other officers of the Government.

CHAPTER II

THE ECONOMIC BACKGROUND

1. THE THEORETICAL BACKGROUND

Although particular industries and particular commodities are mentioned in our terms of reference they should not, or indeed, cannot be treated apart from our economic structure as a whole. The interdependence of industries in the national economy is as significant as the interdependence of nations in the international system. No survey, therefore, of the position of one industry or one branch of economic activity can usefully be made, nor can any change in the practice of that industry be wisely recommended, unless such survey or such change be considered from the point of view of its effect on the whole national economy. Action designed to benefit the agriculturalist of the west may be detrimental to the interests of the industrial worker of the east. An economic development which may seem to benefit Ontario may hurt Saskatchewan and thus ultimately may react injuriously on Ontario. A remedy designed to assist one group in society may injure some other group and thus react on the first group. It is vital, therefore, that in this report the parts should be surveyed and analysed in relation to the whole.

The investigation which has been made is in large measure a product of the depression. Unfair trade practices and other abuses, while they exist in prosperity, are nevertheless thrown into bold and challenging relief by depression. It is then that they assume their most predatory and ruthless aspect. In good times the evils consequent upon unrestricted competition are more easily absorbed by business. In the general optimism of prosperity, their effects are softened in outline and seem neither destructive nor spectacular. Moreover, depression provides more opportunity for and greater temptation to indulge in unfair practices, because the very necessities of a shrinking volume of trade put the weak and unorganized in a less favourable bargaining position than ever in relation to the strong and the organized.

The depression has, furthermore, demonstrated that the strong and the organized are attaining an ever increasing position of dominance in our economic life; that economic power is becoming concentrated. With this concentration, old theories of economic control are proving inadequate.

1. COMPETITION AND MONOPOLY.

In the past, government, through anti-trust and combines legislation, has been concerned to maintain, rather than to control competition, which has been accepted as generally beneficial, congenial to the pioneer attitudes, and justified by economic argument. Competition seemed to promise a flexibility of prices which was most valuable and indeed necessary in an economy as variable as Canada's. It also seemed to promise a satisfactory stimulus to efficiency, and a reasonable guarantee of low prices to the consumer. The argument was carried further to show that competition tended to direct productive activity in such a way as to maximize the national income. But this argument was based on the assumption that competition was what was called free, or "simple." In earlier stages of capitalist development the actual economic world sufficiently approximated this condition to justify some optimism as to the beneficial effects of competitive freedom from control or interference. But now conditions have changed. Concentration in production and distribution, resulting from the development of the corporation and the large scale business unit, has made the actual competitive scene progressively less like the simple competition of the laissez-faire economists. In some cases the change has

been complete and the result has been monopoly. But more often the development has not proceeded quite so far, and there has arisen a condition which has long been discussed by economists under the name of "monopolistic or imperfect competition." Here it is recognized that the results of unregulated competition are frequently far from beneficial.

Fundamentally, the problems which confronted the Commission are those of a transitional economy in which simple competition still prevailed in some parts, monopoly had succeeded it in others and monopolistic or imperfect competition characterized the rest. It might be well, therefore, to define briefly these terms.

Simple competition may be said to exist in any market where there are many small producers offering a commodity for sale, and many buyers offering to purchase relatively small quantities of that commodity without any preference for the product of any particular seller. Under such conditions, as stated previously, no seller can affect the price by withholding a part of his supply from the market, since he controls only an insignificant part of the whole. On the other hand, no seller has any difficulty in selling his whole supply at the market price. No buyer exercises any hold over any seller, for there are always plenty of buyers at the market price. A definite market price is determined by the competitive conditions of supply and demand. An excellent example of this was found in the production and sale of wheat before the introduction of government and other controls. Price is very flexible and adjusts itself to conditions of supply and demand, and buyers and sellers adjust themselves to this prevailing price. All the arts of competitive salesmanship are therefore unnecessary. It is conditions of this sort which are often assumed in the defence of competition.

At the other extreme is the condition of monopoly, where one seller controls the whole supply of some commodity. The monopolist will find it to his advantage to limit the supply, securing a greater revenue by the sale of a part of his stock at a higher price than he could secure by reducing the price sufficiently to sell the whole of it. A similar condition, though less stable, is found where the number of sellers is small and they have agreed to act in unison. In either case, the public is hurt by high prices and restricted supply. Illustrations are found, for example, in the tin-plate and aluminium industries. So obvious is the injury, that the existence of monopoly or monopolistic agreement is likely to evoke interference of some sort by the government.

Not only may the number of sellers be reduced to one, or to so few that they can act as one, but the number of buyers may also be reduced. If there is only one buyer for the product of many small producers, for example, one local cannery, the producers are at the buyer's mercy, just as the monopolistic producer has the buyers at his mercy when the situation is reversed.

2. IMPERFECT COMPETITION.

Simple competition, however, can be destroyed without the immediate substitution of monopoly. Somewhere between the two there is "imperfect" competition. This condition, which is more characteristic of our present economy than complete monopoly, exists when the output of any one producer or purchaser is a significant proportion of the total supply marketed—that is, when one producer may affect the price by withholding his supply. In the actual business world, this condition ranges from two firms in an industry to the case where there are many firms but a few are predominantly large. There is also the very common condition where a producer of a commodity has some of the characteristics of a monopolist, with respect to his own brand. The development of brands, trade marks, and national advertising, has, indeed, made this last type the characteristic producer of the present.

Several basic consequences follow. First, price no longer automatically *adjusts itself* to supply and demand, and no longer reacts quickly to changed

economic conditions. The dominant producers *fix the price* they deem most profitable and attempt to *adjust their production to sales of that determined price*.

Second, where imperfect competition prevails, a definite market price is not precisely determined by supply and demand; price may be set anywhere within the limits of a "zone of indeterminateness," as the economists call it, in accordance with the relative bargaining power of the parties concerned. The wheat grower and buyer do not normally bargain—they accept or reject the going price. The market for many industrial products is, however, imperfectly competitive. One may therefore expect a condition of economic warfare in which victory will go to the strong rather than to the efficient. Nor will there be any reason to expect that such warfare will promote the general interests of society. Competition, if any, will often be cut-throat, and discrimination will be rife. One may even find that the eventual monopoly, which often follows when victory is assured to one party, will be preferable to this fierce and unrelenting competition. The necessity for regulation of monopoly is apparent and therefore it is comparatively easy to institute and operate machinery for such regulation. But the need for controlling monopolistic competition is not always admitted, and there is as yet little experience to guide those called on to exercise such control.

Third, under conditions of imperfect competition, unfair competitive practices develop. With simple competition, the producer has no alternative but to reduce his price in face of a shrinking market. On the other hand, with imperfect competition, the individual producer in industry may well find it more profitable to maintain his selling price even though this involves restriction of his output. There is, therefore, a strong disinclination to enter into any serious price competition because there is a strong sentiment against spoiling the market. But there is, at the same time, a strong urge to increase sales so as to make some use of idle plant, and reduce the heavy overhead costs typical of modern industry. This urge to increase sales without serious price reduction is often the explanation of the intensified competition which breeds unethical practices. It is the fierceness of the struggle, not any unusual depravity in the men concerned, which leads to the adoption of such practices. No one business man can afford to follow the dictates of his conscience and refuse to conform. If he did, he would be eliminated. The only way out is for all the members of a trade or industry to agree to ban certain unethical practices, or for the state to force them all to agree to such abandonment. Such an agreement, however, often will involve conflicting loyalties, loyalty to the particular group of producers and loyalty to society at large. If the agreement is mainly one not to compete, but rather to share the advantages of monopoly, other groups in society have nothing to gain. If, however, the agreement makes survival depend more on efficiency to serve the public and less on predatory strength, the public interest is served. Certainly, in any regulation of "unfair" competition the public interest must be paramount. The purpose of competition is to select those servants who can carry on social production most efficiently and any practice which hinders this purpose is undesirable and should be recognized as "unfair."

Many unfair practices take the form of price discrimination. This inevitably develops when there is considerable unused capacity. If a producer can attract new business at reduced prices while keeping all his former business at the old price, he can gain by the transaction as long as the new business pays anything more than the actual increase in costs which results from it; that is, beyond what the costs would have been if the added business had not been found. Thus occurs the paradox of profit-making sales "below cost," below, that is to say, the total cost which a conservative accounting system would allocate to those goods. Such discrimination is, of course, only possible where the market can be divided into distinct parts.

Where discrimination develops, serious problems arise, problems of justice to the individuals subject to discrimination and problems relating to the public interest. The serious nature of these problems was demonstrated during the period of cut-throat competition between American railroads in the two decades prior to the Interstate Commerce Commission Act of 1887. In the effort to secure traffic, secret rebates and special favours were so rampant that success in industry came to depend on ability to secure favours from the railroads. The railroads held in their hands the power to determine what firms should survive in any industry, what industry would expand, what region would prosper. Such power obviously could not be permitted to irresponsible private corporations as an incident of their own warfare. The Interstate Commerce Commission, therefore, was established in the United States in 1887 to regulate railway rates and especially to eliminate unreasonable discrimination.

Our evidence demonstrates that, in manufacturing and distribution, price discrimination has become very common. The reason is that the proportion of overhead costs is high and different markets are more or less distinct. Under these conditions, a manufacturer may sell the same commodity at two or more different prices. His branded product will be offered to his regular distributors at a price which covers all costs. But a sizeable proportion of his output, perhaps unbranded, or disguised under a special brand, may be marketed through other channels at a price less than sufficient to cover a fair share of overhead costs, in the belief, often mistaken, that these outlets constitute a market sufficiently separate not to affect the customary price for the product. Similarly, a department or chain store may sell certain goods at prices which do not include overhead, in the expectation that they may recover the loss on other goods.

Where discrimination of this sort exists, the competitive struggle does not necessarily result in the selection of the more efficient. Thus, an injury to the public accompanies the obvious injury to those who are not so lucky as to be the recipient of such favours. Some discrimination is admittedly desirable when sales in quantity involve real economics or when a buyer smooths the "load" by giving his orders to be made "off the peak," but there is also unreasonable discrimination which should be controlled.

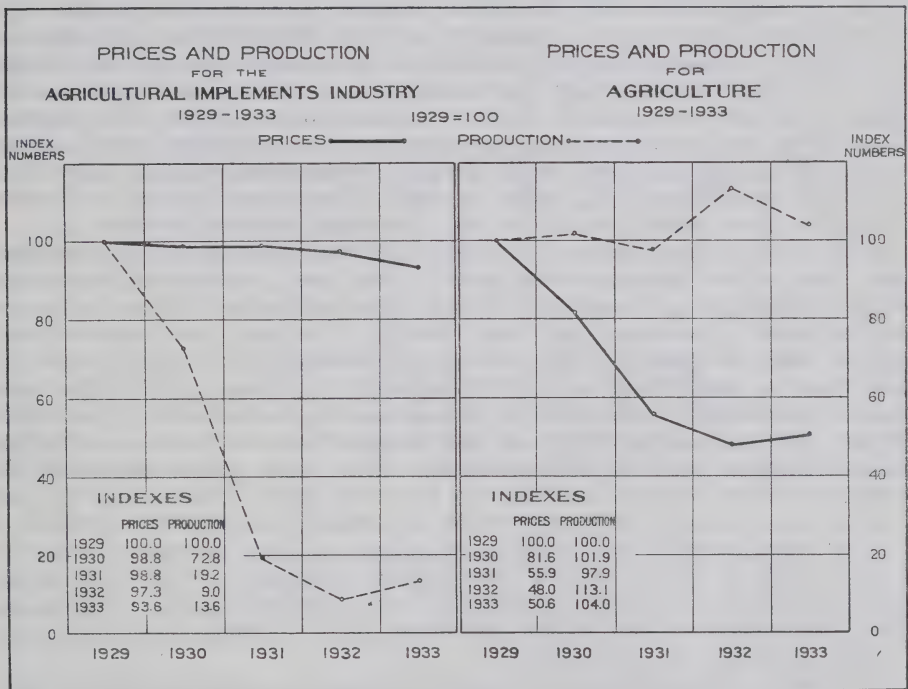
Fourth, under imperfect competition, the bargaining advantage of strong organized groups may lead to the exploitation of the weak and unorganized. Faced with losses as the revenue from sales decreases and the expenses of the competitive struggle increase, powerful corporations naturally seek to shift the burden of their losses on to others. This has brought into bold relief the inequality of economic strength when the giants of monopoly and imperfect competition meet in the market the pigmies of unorganized, small-scale, competitive enterprise. As long as simple competition predominated, one could expect that the price reached by buyers and sellers would be more or less fair, and, further, that it could not be altered without causing the cancellation of many contracts. In other words, bargaining was fair and equitable. But when the one mass buyer, or the few mass buyers, meet the many weak competing sellers, then there are possibilities of exploitation. In an effort to avoid such exploitation, workers have organized trade unions and governments have enacted minimum wage laws. But there are groups of self-employed primary and small secondary producers who remain subject to such exploitation.

It is not enough to say, as many contend, that these problems are the result of depression and will vanish with the depression. It may be true that when recovery is achieved, competition will become less predatory, discrimination less general, and exploitation less obvious. But it is equally true that, while unfair competition and unequal bargaining are intensified by depression, they will not be absent in prosperity, especially in a prosperity characterized by the increasing substitution of imperfect for free competition.

It is, furthermore, a tragic delusion that the solution for these economic problems can be left to automatic forces, because the conditions which once permitted the easy and equitable operation of such forces have ceased to exist. These conditions presupposed two things, first, an economic system composed of small independent units, no one of which counted in that system for more than an element in a statistical average; second, the free appearance and disappearance of these units and their free entry into and withdrawal from the market. With the growth of imperfect competition, however, these conditions no longer exist. Nor can we assume any longer that this monopolistic tendency is a merely incidental intrusion into a system predominantly and naturally competitive.

Fifth, all these circumstances unbalance modern economic society in the sense that not all of its parts adjust themselves at the same speed or in the same degree to any influence that makes itself felt at any one point. Necessary readjustments are therefore concentrated on the flexible sections of our economy, where their effect is intensified by the rigidity in other sections. When different parts of a glass tumbler expand or contract at different rates, the whole glass may be cracked. If the economic structure is in part flexible, and in part rigid, any strain may lead to complete collapse. The contrast between flexibility and rigidity is clearly illustrated in the following diagram:—

CHART 1



Source: Dominion Bureau of Statistics.

From 1929 to 1933, farm prices fell 50 per cent, but the production of farm crops actually increased 4 per cent. This is "simple competition" with flexible prices. On the other hand, the prices of agricultural machinery and implements were allowed to fall less than 7 per cent, but their production in number of physical units decreased as much as 91 per cent. This is "imperfect competition," or monopoly, with rigid prices.

In Canada, this contrast between flexibility (all those circumstances which facilitate readjustment) and rigidity (all those frictions which hamper a smooth readjustment to changed conditions) is particularly important. Special attention should therefore be paid to several distinctive features of the economic organization of Canada.

2. SPECIAL FEATURES OF CANADIAN ECONOMIC ORGANIZATION

1. DEPENDENCE ON EXPORTS

The first of these features, one which prosperity had tended to obscure, is the influence on our national prosperity of the prices of a relatively small number of raw materials (such as wheat, pulp and paper, etc.), produced primarily for export, and whose price is determined in a world market. The profitable operation of our transportation system, and indeed, of much of our industrial structure, depends largely on the income derived from these exports. A decline in the price of western wheat often means the passing of an eastern dividend, or the increasing of a railway deficit. Indeed, a fall in the level of export prices makes necessary a wholesale readjustment of the economic structure of the country, involving cessation of construction, decline of industrial production, unemployment and general stagnation. Such a fall has taken place during the last four years. During the world depression, the total value of our exports shrank from \$1,364,000,000 in 1929 to \$474,000,000 in 1932. The national income in 1929 was probably in the neighbourhood of five billion dollars; it is therefore obvious that the shrinkage of the incomes of exporters by some \$900,000,000—even ignoring the change in the value of money—has been a disturbing factor of great importance. The disturbance, further, is cumulative, for reduced purchases involve unemployment and consequently further reduction of purchases. The average price of wheat, our most important export commodity, had fallen from \$1.51 per bushel in 1926 to \$0.60 in 1932, while the total value of the crop had fallen from \$442,221,000 in 1926 to \$129,105,000 in 1932. The wheat farmers in Western Canada, therefore, found themselves with drastically reduced incomes.

If domestic prices remained unchanged, or were kept up by governmental action, these wheat farmers would have to buy less; purchases of equipment would be reduced to a minimum in face of the unprofitable character of operations, purchases of personal goods would have to be reduced, purchases on credit would no longer be possible. The obvious result would be reduced turnover for retailers and a reduction in sales by manufacturers. To some extent this could be met immediately by a reduction of the sales forces in shops and of workers in factories; but overhead costs run on and unemployed sales clerks and factory workers buy even less than wheat farmers. Some losses might be avoided by lowering prices and trying to maintain the volume of sales. But losses there must be, for many items of cost cannot easily or quickly be adjusted. Further, if there are losses in considerable sections of eastern industry, as well as in western agriculture, the incentive to new construction disappears. The consequently reduced purchases of construction materials and of personal goods by the unemployed construction workers is one more phase of the repercussions of the price of wheat and other export products.

The farmer who produces for domestic consumption (and most of our agricultural production is consumed at home) is, however, in a somewhat different position. It is true that he is affected by the price of exported agricultural commodities, to the extent that the unemployed worker, or the worker whose wages have been reduced, cannot buy dairy, meat and other domestic agricultural products except at greatly reduced prices. It is true also that, if the domestic production has an export surplus, even a small one, that surplus, in a competitive market and in the absence of a domestic monopoly with dumping abroad, will determine in a general way the domestic price of the product.

But, even if the general level of such prices is determined by the export market, that does not exclude the possibility of limited control by domestic action. Often the agricultural producer (who, on the supply side, most completely illustrates the meaning of simple competition) must market his product through a few powerful corporations which, on the demand side, compete with one another, if at all, only imperfectly. The price, therefore, may fluctuate within the "zone of indeterminateness." The large corporations have the power to force price down to the lower limit of this zone. Social control by governmental authority or effective co-operation between the producers may force it to the upper limit.

It is not denied that the fall in export prices of agricultural products in recent years requires an adjustment downwards on the part of domestic prices, both industrial and agricultural. But, at the same time, it is clear that this necessity has been exploited, and the dislocations it was bound to cause have been intensified by the practices and policies of certain large corporations which, themselves sheltered in some degree from the economic hurricane, have taken advantage of the exposed and defenceless position of others.

There are two alternative routes to the necessary adjustment between industrial and agricultural prices. The first is by a rise in the latter. This, however, is not easily achieved. So far as domestically consumed goods are concerned, something can be done by the producers, with government sanction and support, organizing to prevent exploitation. A deliberate increase in the income of exporters is, however, if we assume stable exchange rates, limited by the operation of world forces, over which the Canadian Government can exercise little control.

The alternative readjustment is a domestic problem of permitting or stimulating a fall in the price of goods produced in sheltered industries. This fall has, indeed, been taking place during the last few years, but not evenly, or always equitably. Agricultural exporters, open to all the strains and stresses of world conditions, are defenceless in the face of a drastic decline in prices and, hence, in income, but the more powerful domestic manufacturers and traders have in many cases been able to offer an effective resistance to that decline.

An economic collapse may, like the rain, fall both on the just and the unjust, yet our evidence proves that there are some groups in our economic system who are able to escape the full force of the crash. Often the way of escape is at the expense of other groups less powerful and, therefore, less fortunate.

This struggle of particular groups to maintain their incomes has often resulted in the exaggeration of existing and the development of new unfair practices. In other words, the recession of industry, made inevitable by the falling back of agriculture, has shown signs of developing into a disorderly rout with all the chaos, confusion and evil practices that inevitably follow such a debacle.

2. INFLEXIBILITY IN THE CANADIAN ECONOMY.

The relative resistance of industry to this necessary readjustment has thrown into clear light the second distinctive feature of our Canadian economic structure—increasing inflexibility in many of its parts. As previously illustrated, the prices of agricultural commodities, generally produced under conditions of simple competition, are very flexible; the prices of most manufactured goods, often produced under conditions of imperfect competition, are relatively rigid. This rigidity, which characterizes the price policies of large-scale manufacturers everywhere, is accentuated in Canada by several special factors in our economic structure.

One of these is the distribution of our natural resources. Often a richly endowed area may be technically capable of only one use. For example, in some wheat-producing areas, it is practically impossible to grow anything else. Certain other areas have only mineral and pulp resources and industrial develop-

ment must proceed along these lines or not at all. In such regions, there is no alternative use and no smooth readjustment to changed conditions. Further, the Canadian climate makes necessary in some lines, e.g. canals, a great capital equipment capable of carrying a peak load within a short season but completely idle for a considerable part of the year. The size of the country and the wide distribution of its population, in some cases separated by hundreds of miles of uninhabited territory, make necessary an extensive railway system. Despite technological efficiency, such a system must operate under conditions which tend to make rates high and rigid. These cases are all illustrative of physical and geographic factors which contribute to the inflexibility of the Canadian economy.

Besides these factors, there are many others not quite so peculiar to Canada as the above, but to us quite as important. Corporate and private debts, as contractual obligations, are inflexible and tend to make interest charges, except where bankruptcy intervenes, rigid. Certain contractual expenses of government and the costs of indispensable governmental functions, can be adjusted only with difficulty and make tax rates rigid. The growing burden of overhead charges, entailed by large-scale production, makes many costs rigid. Other causes of rigidity—immobility of labour and capital, tariffs, corporate policy, and the difficulties of large-scale management—can only be mentioned.

It is clear, therefore, that the Canadian economy, with a variable income from exports and certain unusually rigid costs, with extreme flexibility in some parts of its structure and great rigidity elsewhere, is in an unhappy position when rapid economic adjustments must be made. The real problem of a depression in Canada—or indeed anywhere—is how adjustment is to be made to the reduction in income, and how all groups are to share equitably in this necessary readjustment. To the extent that these economic rigidities allow some groups to resist this readjustment, the burden of it is placed unfairly on the other and unsheltered groups.

One feature of our economic rigidity should perhaps be given special mention here because it would appear to be undoubtedly a root cause of many of the evils uncovered. We refer to the growth of the corporation which has not only permitted the development of the large-scale organization of business, but largely determined the lines along which that development should proceed. In agriculture, thousands of producers must, as we have seen, sell their produce for whatever price they can get—that is, in the absence of “pooling” or other control, the price moves low enough to clear the market or move the crop. No one producer is so large that the withholding of his supply from the market will appreciably alter the price. In such a market, prices change much more rapidly than the volume of production. In large-scale corporate manufacturing, however, owing to conventional ideas of cost and prices, the tendency is for prices to change more slowly, and the volume of production more rapidly. The producer whose supply is usually an appreciable part of the total may prefer to produce less, and maintain the price rather than spoil the market by giving consumers a taste of lower prices and new ideas as to what the price should be.

The net result of this combination of flexibility and rigidity is that unregulated competition no longer guarantees efficiency and maximum production at fair prices. Competition degenerates sometimes into economic warfare where victory may go to the strong, rather than to the efficient. Forces of economic readjustment are often not self-correcting, but cumulative in their efforts. Orderly readjustments develop into disorderly crises.

It is this situation that explains the undoubted abuses and inequities that have been evidenced before us. It is on the basis of this analysis that we shall recommend proposals for deliberate social control of certain business activities and practices.

CHAPTER III

CONCENTRATION AND THE CORPORATE SYSTEM OF BUSINESS

1. INTRODUCTION

The evidence before us has shown conclusively, and at times graphically, the part played by the corporate form of business in Canada's economic life.

It has shown that a few great corporations are predominant in the industries that have been investigated; also that this power, all the more dangerous because it is impersonal, can be wielded in such a way that competition within the industry is blocked, the welfare of the producer disregarded, and the interests of the investor ignored.

As the hearings into various forms of economic activity were carried on, it has been difficult not to be impressed by the fact that the corporate form of business, not only often gives freedom from legal liability, but also facilitates the evasion of moral responsibility for inequitable and uneconomic practices. Therefore, it is essential that any investigation into business practices should concern itself with the growth and significance to the national economy of a form of business activity which has harboured behind its imposing facade so much that needs cleansing.

This Chapter therefore attempts:

(1) To trace the development of the corporation, to examine the relationship of ownership to control resulting from this development, and finally to see if the growth of the large corporation is proceeding faster than business generally, thereby leading to that concentration of economic power which is largely responsible for the disappearance of free competition and which has an important bearing on the growth of unfair trading practices.

(2) To analyse consolidations and refinancing operations in Canada. To analyse the extent to which these operations have been dictated by economically unsound or unethical considerations. This leads to an examination of corporate practices and abuses with illustrations taken from investigations made by us.

(3) To suggest remedial action for the above abuses.

2. THE CORPORATION IN CANADIAN BUSINESS

1. THE NATURE OF THE CORPORATION.

A corporation may be regarded as a group of individuals empowered by law to act as a single person and endowed by law with a capacity for succession. It can sue and be sued in the corporate name, can own property, and incur obligations. Its members have limited liability. Its capital is divided into freely transferable shares. The personnel of a corporation may change from time to time, but the corporation itself can continue indefinitely. As Sir Edward Coke put it centuries ago: "A corporation is invisible, immortal, has no soul, neither is it subject to the imbecilities or death of the natural body."

These are the most important characteristics given to the corporation by law. Their effect is that in law the corporation has the status of a person, and thus possesses a legal existence and recognition aside from that of its owners—the shareholders.

Although the corporation has conferred on it by statute the rights of limited liabilities of shareholders, this privilege was always available to owners by contract; in other words, any contract of a concern could validly limit the

shareholders' financial responsibility. But even so, it is a considerable privilege to have this position generalized in statute law.

2. THE ORIGIN AND GROWTH OF THE CORPORATION IN CANADA.

The limited company evolving from earlier and more primitive times, is directly descended from the earliest type of joint stock company—the chartered company of the 17th century, in England. In its modern form the corporation is really the child of the industrial revolution which made the development of a new form of business organization a necessity. As early as 1834 an Act of the British Parliament gave the common law company, by letters patent, the privilege of suing and being sued as an entity, and from this beginning, the present day limited company has emerged by a succession of legislative steps.

As the common law of England was the law of Canada, the early situation in Canada—except where modified by statute—was similar to that in England. The first general companies legislation in the United Province of Canada was passed in 1849, and applied to joint stock companies organized for the purpose of constructing roads and bridges. This was the beginning of a number of general acts for the incorporation of companies with “local” objects. In the course of the century, incorporation also became available for industrial undertakings.

In 1864 a general Act was passed which first provided for incorporation by letters patent issued under seal of the Governor in Council. With the federation of the provinces, the constitutional division of powers gave both the provinces and the new Dominion Government, authority to incorporate companies. The Act of 1864 was re-enacted as a law of the Dominion of Canada. It has been revised on a number of subsequent occasions, most recently in 1934.

It would seem that in its earlier stages, the company law of Canada was influenced mainly by similar legislation in the United States, that later it became more indigenous, and still later has tended to follow English models.

Despite the early cases of chartered companies the corporate form of business enterprise did not become a popular one in this country for many years. The explanation of this is doubtless to be found, in part, in the fact that the business enterprises of earlier days could in the main, obtain sufficient capital with the existing forms of individual ownership and partnerships. With the development of large-scale manufacturing and the consequent changes in the technique of production, which in turn necessitated larger aggregations of capital, the collective form of organization became of more significance as a form of business enterprise.

But even with this change and a substantial growth in numbers, the corporation did not become the exceedingly popular form of organization, which it now is, until almost the end of the 19th century. In fact, by far its greatest expansion has occurred in the 20th century.

3. OWNERSHIP AND CONTROL OF CORPORATIONS.

The corporation has allowed the development of multiple ownership—that is, an indefinite number of people may own the corporation (and thus its assets) through the minute subdivision of ownership shares. This development has brought about a distinction between ownership and control.

Under simple conditions, ownership implies the control of the thing owned. The development of the corporation, however, with its multiple shareholders, has made it possible for an individual to own without controlling, and to control without owning.

At the present time, under the corporate device, ownership means a legal title to assets which cannot be controlled by the individual, though he may, of course, exercise such control over the property by combining with other share-

holders to form a majority of the voting stock. But, if the shareholder does not join the majority group, his title to ownership merely gives him the right to share *pro rata* in the profits and losses of the enterprise. The actual distribution of the proceeds depends upon the decision of the directors who legally control the business. Thus, more and more the real position of the holder of ownership shares—common stock—becomes that of a security holder who is almost divorced from the control of the property nominally owned, and whose main interest is in the allocation of earnings made to him by those in control of the business.

This division of functions which is characteristic of the modern corporation has had far-reaching consequences, as the evidence before us has shown. It means that control over the instruments and physical assets of production and distribution is passing from the property owner to centralized managerial groups. Those who direct the modern corporation are, more often than not, the owners of only a negligible portion of the company's stock. It follows that the returns from profitable management of the corporation affect them directly only to a relatively minor degree; on the other hand, the stockholder to whom the profits accrue has less and less to do with the direction of the corporation. The bearing of this separation of ownership from control on the whole concept of property and on the place of the profit motive in economic life is of very great significance.

It is this separation which has made the emergence of the typical modern corporation possible. In order to finance these enormous enterprises, it has been found necessary to draw the supply of capital from the investing public. The consequent appearance of the large corporation using the open market for securities has changed and is changing the face of Canadian economic life.

In view of the importance of this question, we examined the existing situation with respect to the methods of control in Canadian corporations with the object of giving a detailed picture of the relations between ownership and control. We also attempted to estimate the growth of the large corporation in Canada in recent years and its relative importance in the whole structure of Canadian industry.

4. METHODS OF CONTROL IN CANADIAN CORPORATIONS.

Control of a corporation may be obtained in various ways. The most obvious is by *majority control*, where one or a few shareholders own more than half the stock and agree to control the business. Ownership, however, is not often so concentrated as to make majority control possible. With the wide distribution of corporation shares—personally and geographically—it is impossible for most of the owners of shares personally to attend shareholders' meetings. The proxy system has, therefore, grown up, whereby an owner who is unable to be present at a shareholders' meeting may designate some other person to be present, and at his discretion vote the shares. This legal device, combined with diffusion of ownership, has led to *minority control* of corporations.

Under minority control, one or more individuals, who have a substantial number of shares (but much less than half) may send proxy forms to the other shareholders (none of whom are large holders), who fill them out and return them, thus giving the minority group control of the shareholders' meetings. As a result of this technique, a minority group may control a concern for years, until some other group enters the contest for control.

Minority control usually comes through a small but active group, within or without the management. When this group holds only a few shares and is associated actively with the management of the company, management control develops. As the proxy machine is usually under the control of the management (and is usually paid for by the corporation itself), it is relatively easy for the management to obtain sufficient proxies to control the business. Such development is most probable in a large concern where no one shareholder owns an appreciable proportion of the shares.

A general idea of the relative importance of these different methods of control in the Canadian corporate structure was gained by the analysis of the voting stock of the 145 largest Canadian companies, excluding financial institutions.

When the list of the largest Canadian corporations had been completed, a questionnaire was sent to them, and, from the returns so obtained, the information presented in this analysis was compiled. The questionnaire asked for the names and holdings of all shareholders who owned more than 1 per cent of any class of stock issued, and for the *total number* of shareholders with less than 1 per cent. The information was to be taken from the share register as of June 1, 1934, or as of an approximate date. From the given information, the percentage of the total issue held by each shareholder (holding more than 1 per cent and hereafter referred to as the large shareholder) was computed. Where more than one class of stock had general voting rights, the aggregate of the two (or more) stocks was taken as the basis for the calculation. As the purpose of the information was to analyse the ownership and control of corporate business, through the ownership and control of voting stock, the analysis was confined to stock with general voting rights; this involved certain arbitrary decisions where "hybrid" stock was concerned. Thus shares with non-voting or with conditional voting rights were disregarded.

The information obtained as above was analysed to discover the relationship of ownership and control. In classifying the nature of the control of the companies, five classes were selected. We classified as *privately owned* those companies with 80 per cent or more of the voting stock owned by one person or group; as *majority controlled* those with 50 per cent to 79.99 per cent; as *minority controlled* those with 20 per cent to 49.99 per cent. Companies with less than 6 per cent of voting stock held by one group were classified as *management controlled*, on the assumption that with such a wide division of ownership the entrepreneurial group could perpetuate itself in control; those with ownership ranging from 6 per cent to 19.99 per cent were regarded as *joint-minority-management controlled*.

The table below shows the manner in which the 145 largest Canadian companies are distributed over these classes.

METHODS OF CONTROL IN 145 LARGEST CANADIAN CORPORATIONS

	Number of Companies	Percentage of total number of companies	Assets of Companies (in thousands of dollars)	Percentage of total assets of companies
Management control (5.99 per cent and under).....	26	17.9	2,290,058	42.8
Joint minority-management control (6 per cent to 19.99 per cent).....	41	28.3	987,609	18.5
Minority control (20 per cent to 49.99 per cent).....	29	20.0	837,157	15.6
Majority control (50 per cent to 79.99 per cent).....	28	19.3	756,909	14.2
Private control (80 per cent to 100 per cent).....	21	14.5	476,941	8.9
Total.....	145	100	5,348,674	100

It will be seen that over 66 per cent of the companies were controlled by minorities owning less than 50 per cent of the outstanding capital. What is even more significant is the fact that of these nearly three-quarters fall into the management of joint-minority-management classes where the management owns less than 20 per cent of the total capital.

Of the 145 companies analysed, 40 were subsidiary companies and fell into either the majority or privately owned group. If the subsidiary companies are

excluded the picture becomes even more striking, for then 83·8 per cent of the remaining 105 companies are controlled by groups owning less than 50 per cent of the capital, 63·8 per cent of them and 82·4 per cent of their total assets are controlled by groups owning less than 20 per cent.⁽¹⁾

In classifying the schedules to arrive at the above results, numerous difficulties were encountered. The large number of brokers which appeared as the registered owner of shares in some companies was surprising. It was impossible to go behind these registered owners, and it was assumed that they represented roughly the actual division of shares among individuals; the schedules were thus classified on a strict mathematical basis. This condition doubtless obscures the real situation at times, and it is possible that, had complete data been available, the companies would be classified differently. But there is certainly no method of eliminating this difficulty. Financial institutions such as trust companies also appeared in the lists with great regularity. In some cases, the holdings were specified "in trust"; in others no such specification occurred. It is difficult to say to what extent this practice also hid the real situation. Another problem was that of detecting those individuals who, although reported as independent and separate holders, were in fact acting together. A few obvious cases could be detected, and in these cases the separate holders were regarded as forming one group, but there were doubtless many more which could not be distinguished with the information available. It would require a detailed investigation of the personal relationship in every case to settle the point.

As a result of these factors, it is quite possible that some companies are improperly classified and that companies whose ownership appeared to be minutely divided, were in fact controlled by larger combined groups. On the other hand, the lumping of what may be many small holders under one broker's name (or that of a financial institution) offsets this tendency to some extent. Thus, while there are bound to be errors in such a classification, it is improbable that on balance the situation is greatly misrepresented.

The significance of the results above is further emphasized by the fact that very few directors owned more than one per cent of the voting stock of the companies they directed. In 91 of the 145 companies no directors owned more than one per cent of the voting stock. Of the 101 directors of the other 54 companies (owning more than one per cent of such stock), 60 of them held between 1 and 3 per cent; 25 held between 3 and 10 per cent; 7 between 10 and 20 per cent; 5 between 20 and 30 per cent and 4 above 30 per cent.⁽²⁾

The results of those studies are, it is true, based on a sample, but this sample includes the largest non-financial businesses in Canada; it represents the great bulk of Canadian corporate assets and possibly a majority of the business assets of the country. It may, therefore, be taken as indicative of the type of change and concentration which the corporate form of business has facilitated, if not encouraged, in our present economic system.

The following table is interesting in that it gives for comparative purposes comparable information for the United States.

(1) See Annex III, Tables 1, 2, 3, 4 and 5, for a further analysis of this material.

(2) See Annex III, Table 6, for a frequency distribution of directors' holdings.

METHODS OF CONTROL IN 200 LARGEST AMERICAN COMPANIES¹

	Number of companies	Percentage of total number of companies	Assets of Corporations (in millions of dollars)	Percentage of total assets of companies
Legal device.....	41	21	17,565	22
Management control.....	88½	44	47,108	58
Minority control.....	46½	23	11,223	14
Majority control.....	10	5	1,542	2
Private control.....	12	6	3,366	4
In Receivership.....	2	1	269	—
Total.....	200	100	81,073	100

¹ A. A. Berle and G. C. Means, *The Modern Corporation and Private Property*, (New York: Macmillan, 1932), pp. 115-16.

It will be observed that the table shows a situation somewhat similar to that in Canada, although direct comparison must be made carefully because of the different methods used in making the tables. In the Canadian case, receiverships were ignored and the company classified on the basis of the original voting rights and the distribution of the stock reported in the schedule. Legal devices include holding companies, non-voting stock, voting and management trusts, all of which were ignored in the Canadian analysis, and a "subsidiary" analysis substituted: for some purposes the legal device is very important but for the immediate purpose it was regarded as best to analyse the Canadian companies on the basis given here. In the American study there were only a few joint-minority-management cases, and these were divided equally between the two classes, but this practice was not adopted in the Canadian case. It may be added that otherwise the classifications are the same in the two tables. The important thing is that a generally similar condition is shown in both countries.

5. LEGAL DEVICES AS METHODS OF CONTROL

There are a number of methods of controlling companies by special legal devices. Of these perhaps the most important is the holding company, which is becoming increasingly common.

a. *The Holding Company.*

This is a company which owns the controlling interest in the voting securities of other companies. A pure holding company is one which does nothing but this. A mixed holding company is one which is also an operating company. Though it cannot be analysed here in detail, the holding company is worth close study as it is becoming increasingly important in our corporate structure of business.

The table below analyses the 276 Canadian companies which in 1932 had gross assets over \$1,000,000, in such a way as to give some idea of the extent of the holding company in Canada.

CLASSIFICATION OF ALL INDUSTRIAL COMPANIES WITH GROSS ASSETS OVER \$1,000,000 BY FORM OF ORGANIZATION AND AMOUNT OF GROSS ASSETS CONTROLLED¹

	Number	Percentage of Total Number	Gross Assets Controlled (in thousands of dollars)	Percentage of Gross Assets
Pure holding companies.....	29	10.5	\$ 698,468	19.5
Mixed, but primarily holding.....	14	5.1	582,622	16.2
Mixed, but primarily operating.....	112	40.5	1,682,462	46.9
Pure operating companies.....	121	43.9	623,110	17.4
Total.....	276	100.0	3,586,863	100.0

¹ D. H. Munger, *The Holding Company in Canada* (Kingston): Queen's University, 1934).

The figures in this table give some idea of the extent to which this method of control has developed. The reasons for this development are to be found in the advantages gained both from the centralized management and the unified financial structure which results from such a combination of two or more companies.

The holding company may also be used to recapitalize the financial structure of one or more enterprises through a substitution of its securities for the securities of subsidiary companies. Canadian experience has shown that this last is almost invariably a form of stock-watering for the purpose is that of capital inflation, which exploits the curious public belief that the larger the nominal issue of securities, the sounder the issue must be.

The holding company may also be used to pyramid the voting control to give its organizers, with a minimum amount of investment, control over the subsidiaries. Such pyramiding is substantially a method of control. It need not involve more than one operating company, and provides a very simple way by which such companies can be controlled by a relatively small investment of capital. Suppose, for instance, a company with the following set-up:

Bonds	\$ 50,000,000
Non-Voting Preferred Stock.....	50,000,000
Voting Common Stock	50,000,000
	<hr/>
	\$150,000,000

Now, if a group wishes to get full legal control of this company, it will have to purchase a little over half the common stock, that is, \$25,000,000. After this has been done, a holding company is formed with the following set-up:

Bonds	\$10,000,000
Non-Voting Preferred Stock	6,000,000
Voting Common Stock	9,000,000
	<hr/>
	\$25,000,000

The common stock of the operating company is turned over to this holding company for its securities, which are then all sold, with the exception of a little more than half the common stock, say \$5,000,000. Thus an investment of this amount is in control of the assets of the \$150,000,000 business. Each time this process is repeated, the equity is further diluted, until a ridiculously small investment may be controlling a tremendous volume of assets.

An example of this practice, which has come before us is that of G. Tamblyn Limited. At its formation in 1928 this company had the following capitalization:

Non-Voting Preferred Stock	\$700,000.00
28,000 Voting No-Par Common Shares (stated value)	20,000.00

The report of our auditors revealed that 14,100 of the common shares were held by Drug Holding Company. The Drug Holding Company is purely a holding company, whose assets consist of shares of common stock of Tamblyn Limited. There are 200,000 issued shares of the Drug Holding Company, and of these 122,978 are held in the name of the executors of the late Gordon Tamblyn. Mr. Tamblyn's executors, as owners of a majority of the stock of Drug Holding Company, which in turn owns a bare majority of the common shares of G. Tamblyn Limited, are in effective control of the latter company.

An even more graphic example of the extent to which this can be used is provided in the United States in the Van Sweringen system of railroads and its ramifications, where \$20,000,000 controls enterprises with assets of over \$2,000,000,000.

b. Non-Voting Stock.

Another legal device of control is that of non-voting stock. For example, a company may make large issues of non-voting first and second preferred and common stocks, then issuing a relatively small amount of voting common. This permits a small amount of common stock—often given for an inadequate property consideration or as a bonus with other securities—to control a large aggregation of capital. A small but excellent example of this technique is that of Honey Dew Company, Limited. The capitalization of this company consisted of \$1,500,000 of non-voting preferred stock and only \$108,500 of voting common stock, in which control, however, rested.

The voting rights of the 145 largest companies examined showed that the non-voting stock method of control was not general in these companies.¹ This may be due to the fact that the majority of them are old and well established concerns. It is reasonable to believe that the legal device of non-voting stock is more prevalent in newer companies. Support is given to this view by the fact that between 1926 and 1930, inclusive, some \$220,000,000 of preferred, Class "A" and common shares were sold to the public, and of this amount only some 16 per cent carried unrestricted voting rights.

c. The Voting Trust.

Another form of legal control is the voting trust, where the owners assign their voting rights to a small group of trustees. It is of less interest and need not be developed because of its small quantitative significance. There were not more than three or four such cases in the group of 145 Canadian companies investigated. The trust is such an obvious method of control, compared to other more subtle forms, that it has lost in popularity. The technique appears to be used in reorganizations, etc., and the Canadian cases found were nearly all of this character.

6. THE GROWTH OF LARGE CORPORATIONS IN COMPARISON WITH THE GENERAL GROWTH OF BUSINESS.

There has been a steady and relative increase in the growth of the corporate form of business in practically all countries during the present century. The number of companies, as well as the business done, has been increasing. Canada has experienced its share in this development and it therefore becomes important to note the growth of concentration, to measure the rate of growth of the large corporation in relation to business in general, and to determine if there is a tendency for the large concerns to do an increasingly larger proportion of the business. It is assumed in this analysis that the volume of assets is a direct measure of the volume of business.

It should be made clear at once that the available statistical data on Canadian corporations is discouragingly scarce. Financial publications, such as *Moody's*, *Houston's* and the *Financial Post*, have the names of approximately 1,700 non-financial companies; of these there are financial statements for something less than 400.

It is estimated that there are some 8,000 retail organizations in Canada operating under the corporate form. Outside of the field of merchandising, however, the census and Dominion Bureau of Statistics figures are not concerned with the form of organization. The Dominion Income Tax Department, on the other hand, obtains returns from over 28,000 corporations. These returns, however, are unfortunately not available for statistical analysis as they are in the United States, even when the analysis in no way discloses individual information, but only deals with aggregates. Information of this kind should, we think, be available for the purposes of statistical and economic research, and we urge that steps be taken towards this end.

(1) See Annex III, Table 7, for details.

For purposes of analysis some definition of a large corporation had to be selected. Accordingly it was decided to study for each year during the period 1923 to 1932, a group consisting of approximately the 100 largest Canadian companies. In 1923, this group included all companies with gross assets (less depreciation) of over \$5,000,000; by 1931, all companies with gross assets (less depreciation), of \$10,000,000, or over. This itself shows the relative growth of the large corporation during this ten-year period. In 1932, the figure had decreased to \$9,000,000. The aggregate assets were corrected for depreciation—that is, the amount of depreciation allowance was deducted where it was necessary to do so in order to get a net figure—but no attempt was made to correct the figures otherwise, or to go back of the balance sheet valuations. The companies were all non-financial in order to avoid doubt counting of assets, and holding companies were eliminated unless they presented a consolidated statement.

Statistics showing merely the growth of these large corporations, would have meant little unless such growth could be related to some other phenomena. Growth itself is no proof of concentration. Owing to the absence of data, as indicated above, the assets of this group of Canadian sheet companies could not be related to all corporate assets; or indeed to all business wealth. So other bases of comparison had to be selected for the present analysis.

Three such bases were chosen, and the assets of this group were then computed:—

- a. as a percentage of the assets of all corporations for which balance sheets could be obtained.
- b. as a percentage of the total invested capital as reported by the Bureau of Statistics.
- c. as a percentage of the national wealth.

The result of all three computations was to show the relatively faster growth of the largest companies over a ten-year period, 1923-32.

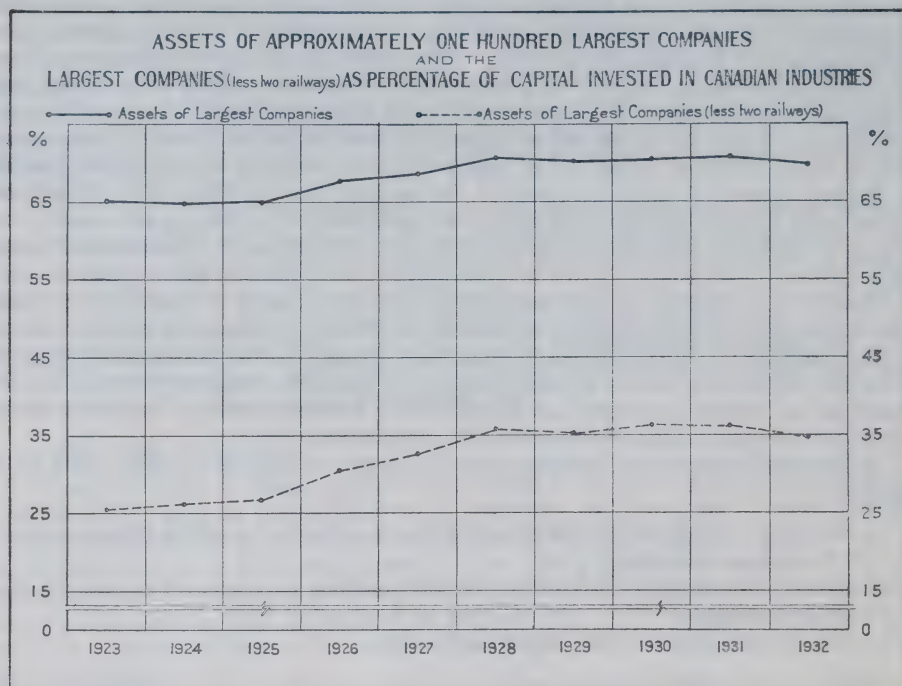
The first comparison shows that the group of the largest companies (excluding railways) constituted 53 per cent of the total *number* publishing balance sheets in 1923, but it had dropped to 28 per cent in 1932. The assets, however, of the group as compared with the assets of all companies had dropped only from 89 per cent in 1923 to 82 per cent in 1932. If it is fair to assume that the number of companies publishing balance sheets and the total value of their assets is an indication of the general growth of corporate business activity, then, since our selected group represented a decreasing proportion of the total number, but approximately the same proportion of the total assets, this fact would indicate that large corporations are growing more rapidly than the smaller companies.

If this were our only evidence we should hesitate to accept it as conclusive, but it is confirmed by the results of our other two comparisons.

The second of these shows concentration as measured by the ratio of total assets of the selected group to total invested capital. In 1923 the selected companies controlled approximately 25½ per cent of the total capital of all companies as reported by the Bureau of Statistics. In 1932 the figure had grown to 35 per cent.

The following chart shows the situation:—

CHART II

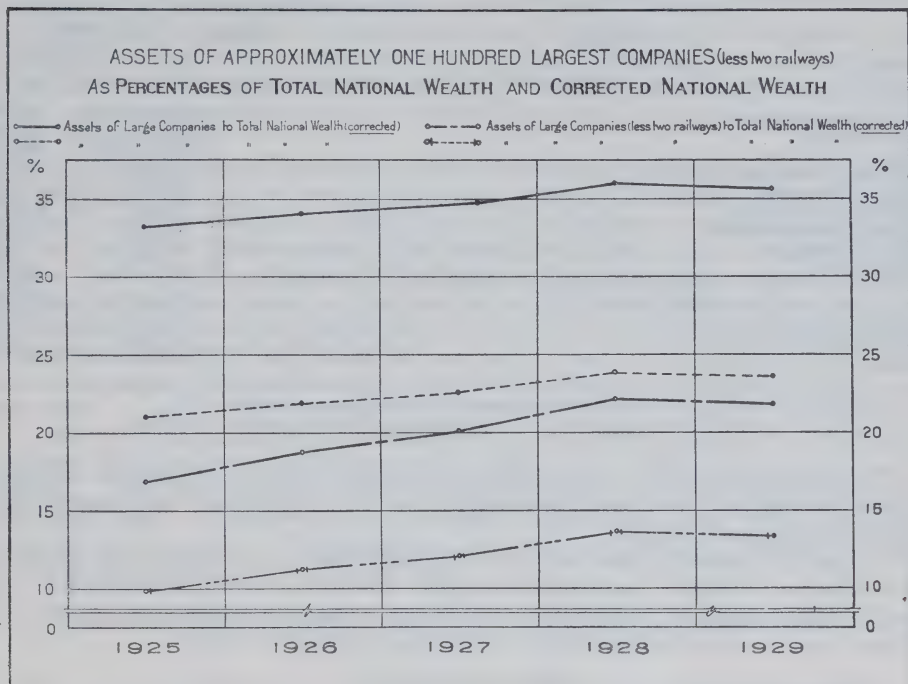


It may be acknowledged that this invested capital figure is not at all comparable with the gross assets of corporations and it may appear, therefore, that two unlike things are being related. If the absolute percentage figures were regarded as significant, this would be a fatal criticism. But all that is desired here is to see the relative rate of growth of the large companies as compared to business generally. It is the trend that is significant, and this can be determined as the invested capital figures are comparable from year to year all through the period; the Bureau of Statistics has submitted the series as a homogeneous one for the period. Accordingly, the result has validity for the immediate purpose. It indicates also that since 1923 the largest companies have been increasing their percentage of the total business. The last year showed a diminution throughout because of the decrease in the assets of the largest companies—business losses accounting for this change. The trend, however, is clear. It is towards concentration.

We now come to the third basis of comparison, as a percentage of national wealth. Unfortunately, the figures of national wealth are not available for the whole period, so that only the intermediate period 1925 to 1929 was covered. Assets of the largest companies, less two railways, were 10 per cent of the national wealth in 1925, and 13½ per cent in 1929. When the national wealth figure had been corrected for certain items beyond the scope of the corporate form e.g., agricultural wealth, canals, etc., the assets of the largest companies, less the two railways, were 17 per cent of the corrected national wealth in 1925 and 22 per cent in 1929. The significant thing is that for the third time a group of large companies had unmistakably increased its relative importance.

Again the following chart will show the situation.

CHART III



7. NATURE AND EXTENT OF THE GROWTH OF 63 LARGE CANADIAN CORPORATIONS WHICH HAD A CONTINUOUS EXISTENCE, 1923-1933.

a. Nature of Growth.

The fact that the percentage of total business assets owned by large corporations is increasing raises the question of how this increase is taking place. There are three main methods.

- (1) New security issues.
- (2) Re-investment of earnings.
- (3) Consolidations, mergers, etc.

In order to decide which of these methods was most important, a study was made of the net change and method of change between 1923 and 1933, in the assets of the largest corporation which had a continuous life for the entire period. The other companies of our group were either not in existence or not reported for the whole 10 years.

It is quite evident from the table below that the issue of new securities—the obtaining of new capital—was by far the most important method of growth. Some \$2,100,000,000 of new securities were issued; out of which \$404,800,000 were returned for outstanding securities. This left a net addition of \$1,700,000,000 of new capital from security issues; clearly quite the most important source of growth.

SUMMARY OF CHANGES IN BALANCE SHEETS OF 63 COMPANIES BETWEEN 1923-1933

(in thousands of dollars)

Item	Net Change	
	(1)	(2)
Net change in Assets.....	+1,389,449	+ 737,533
New Securities.....	+2,106,882	+ 646,094
Merger.....	+ 200,218	+ 200,218
Creation of Resources.....	+ 58,325	+ 61,333
Change in Surplus.....	- 425,887	+ 94,938
Re-Appraisal of Assets.....	- 123,372	+ 115,117
Retirement of Securities.....	- 404,844	- 162,960
Current Liabilities.....	- 37,584	- 2,568
Miscellaneous.....	+ 15,593	+ 15,595
Income available for general charges.....	1,754,117	1,038,949
Income available for dividends.....	532,111	820,070
Dividends paid.....	941,924	673,735
Balance.....	409,813	+ 146,335

Column (1) contains the figures for 63 companies, including transportation, while

Column (2) contains 58 companies—this is, the transportation companies are omitted.

It will be noted that the omission of railways made considerable difference in the net results. New securities were reduced in importance and mergers had relatively a greater weight.

Another interesting disclosure by the table above is that, for the group of 63 companies, dividend payments exceeded earnings by over \$400,000,000. Of course, this would not be true for all the individual companies concerned; nor, indeed, was it true for the total, if railways were again omitted.

b. Rate of Growth.

As the table above shows the method, that below shows the rate of growth in this group of continuous companies:—

PERCENTAGE CHANGES IN NET ASSETS OF 63 COMPANIES

	All Companies		All Companies with the exception of those in the transportation group	
	Percentage		Percentage	
1924.....	+	2.4	+	1.8
1925.....	+	2.1	+	4.9
1926.....	+	3.1	+	6.7
1927.....	+	6.5	+	15.2
1928.....	+	5.5	+	9.8
1929.....	+	7.1	+	7.5
1930.....	+	2.7	+	5.6
1931.....	+	0.3	—	0.3
1932.....	—	2.3	—	4.8
1933.....	—	0.0	—	1.4
Total change per cent.....	+	30.5	+	53.1
Total change as a compound percentage rate per annum.....	+	2.7	+	4.4

Each of the annual figures therein shows the rate of change per cent from the corresponding figure for the previous year. It will be noted that the all-inclusive group showed an average rate of growth per cent per annum for the period of 2.7 per cent; with the transportation group excluded, that rises to 4.4

per cent. For the shorter period 1924-29, the rates are 4.7 per cent and 8.8 per cent. It may be added that this study of an unchanging list of companies tends to understate rather than to overstate the rate of growth of the largest companies in Canada in this period.

The rate of growth may also be shown by expressing in a frequency table the 1933 assets of each of these 63 companies as a percentage of the 1923 figures. This gives the remarkable result that only 15 of the companies failed to double their assets during the period, and even of these 15, 11 increased theirs by more than 75 per cent.

Further analysis of the rate of growth of the largest companies was developed by taking the 100 largest non-financial companies in Canada at 1923 and at 1933, regardless of the group into which they fell. Admission to these lists depended on the amount of the net assets at the respective balance sheet dates, and on that alone. It might be explained here that for this immediate analysis, precisely 100 companies were taken at the two dates 1923 and 1933.

During this ten-year period the total assets of the 100 companies increased from \$5,096,000,000 to \$7,324,000,000, or 44 per cent. Excluding five transportation companies, the increase was from \$1,902,000,000 to \$3,493,000,000, or 84 per cent.

We then classified these companies into industrial groups but found that thirteen fell into groups which were not statistically comparable throughout the period. The total assets of the remaining 87 increased from \$4,995,000,000 to \$6,948,000,000, or 39 per cent, but the rate of increase varied very considerably from group to group. Merchandising lead with an increase of 259 per cent, followed by utilities with 178 per cent.¹

NET ASSETS OF THE LARGEST CANADIAN NON-FINANCIAL CORPORATION AT 1923
AND AT 1933, CLASSIFIED BY INDUSTRIES

(in thousands of dollars)

—	Number of Com- panies	Net Assets		Percentage Change
		1923	1933	
GRAND TOTAL.....	100	5,095,651	7,324,323	+ 43.7
GRAND TOTAL EXCLUDING THE TRANSPORTATION GROUP.....	95	1,902,234	3,493,276	+ 83.6
Industrial Groups				
Transportation.....	5	3,193,417	3,831,049	+ 20.0
Utilities.....	21	438,357	1,219,603	+ 178.2
Pulp and Paper.....	10	262,834	445,215	+ 69.4
Miscellaneous.....	6	202,222	401,882	+ 98.7
Iron and Steel.....	11	421,376	285,117	- 32.3
Merchandising.....	3	51,987	186,485	+ 258.7
Mines.....	8	107,941	177,867	+ 64.8
Construction Materials.....	4	67,185	82,133	+ 22.2
Textiles.....	5	71,721	78,663	+ 9.7
Foodstuffs.....	5	53,866	74,501	+ 38.3
Milling.....	4	50,810	67,460	+ 32.8
Beverages.....	2	21,568	53,573	+ 148.4
Rubber.....	2	34,206	34,324	+ 0.3
Real Estate.....	1	17,977	10,547	- 41.3
Total, excluding non-comparable groups.....	87	4,995,467	6,948,419	+ 39.1

The group totals and the grand total tell something, but they need to be supplemented by a better indication of the changes in the composition of these lists in the 10-year period. The frequency table below is designed to give that information.

(1) See Annex III, Table 8.

FREQUENCY DISTRIBUTION OF 100 LARGEST COMPANIES, CLASSIFIED BY SIZE¹

Class—Net Assets (in millions of dollars)	Number		Cumulative Totals	
	1923	1933	1923	1933
100.0 and up.....	3	11	3	11
75.0—99.9.....	1	1	4	12
50.0—74.9.....	3	8	7	20
45.0—49.9.....	3	4	10	24
40.0—44.9.....	5	1	15	25
35.0—39.9.....	4	6	19	31
30.0—34.9.....	5	4	24	35
25.0—29.9.....	5	7	29	42
20.0—24.9.....	6	13	35	55
15.0—19.9.....	7	12	42	67
10.0—14.9.....	27	22	69	89
8.0—9.9.....	10	11	79	100
6.0—7.9.....	15	0	94	100
Under 5.9.....	6	0	100	100
Total.....	100	100	—	—

It will be observed from this table that two things have taken place. First of all, the two groups at the bottom of the scale—those with assets of less than 6 and 8 millions respectively—which had 6 and 15 companies respectively in 1923, have disappeared in 1933. All of the 100 companies, at the latter date, have assets of over 8 millions. At 1923, 5 companies had assets of less than 6 millions and an additional 15 had more than 6 but less than 8 millions. Nor is this result produced by a migration into the next higher brackets. The group over 8 and under 10 millions holds only 1 more company at 1933 than at 1923, and the two groups between 10 and 20 millions have 34 companies in each of the years. The groups between 20 and 45 millions have 26 companies at 1923 and 31 at 1933, between 50 and 100 millions, 4 and 9 respectively, and while there are only 3 companies with assets of over 100 millions in 1923, there are 8 in 1933.²

8. CONCLUSIONS.

The foregoing analysis has attempted to show the existing situation and trends with respect to corporations. In this analysis the following facts stand out clearly as bearing directly on the problem of monopolistic concentration and economic regulation:

a. As the ownership of corporations has become more and more scattered, control has become more and more concentrated.

b. The corporation as a form of business organization has been growing, by various methods, with great rapidity in the present century.

c. The growth of the large corporation has proceeded more rapidly than the growth of business in general.

It is important that there are in this country approximately 100 companies with assets of over \$10,000,000. It is even more important that a rapidly increasing proportion of Canadian business is being carried on by these one hundred.

The two interconnected problems created by the coming of the large corporation, the problem of concentration of economic power and the problem of the new conditions in competition, which the corporation has brought in its train, have been clearly revealed in the evidence before the commission. That evidence has given a remarkable picture of the results of the rapid development of the corporate growth of business in the economic life of Canada. The facts and

(¹) See Annex III, Table 9, for the same table with the railway omitted.

(²) For a slightly different approach to the same range of facts see Annex III, Table 10.

figures which are presented in this study must be considered side by side with the material which is contained in the evidence before us, if they are to be understood in their proper context. So considered, they seem to lead to the inescapable conclusion that the rate of growth of the large corporation is, in large part, an explanation for the development of that imperfect competition which has manifested itself in the numerous cases of economic exploitation brought to our attention, and which is one of the main sources of many of our economic problems.

3. CORPORATE PRACTICES AND ABUSES.

1. INTRODUCTION—THE FUNCTION OF THE PROMOTER.

In this section we deal with some of the more important corporate practices and abuses of the period 1923-29, with illustrations from evidence we have received. This period represents fairly well the course of a business cycle. The year 1923 was the beginning of a period of business expansion which reached its peak in 1929. Then came the downswing of business and the depression, which have almost completed the cycle. Thus, in effect, one is observing the cyclical course of corporation finance. The period 1923-33, however, should not be regarded as unique, for that of 1908-1913 gave rise to a similar phenomenon in the field of Canadian corporation finance.

In general, a period of expanding business sees an active demand for capital. All sorts of enterprises are started and others are expanded and re-organized. It is relatively easy to sell securities to the public and the volume of flotation rises. A feeling of optimism gives all security offerings a rosy hue and investment dealers hunt for issues to meet the "demand." Then, with the cessation in business activities, the volume of new flotations drops and a testing period for the newly-distributed securities ensues.

The part played by the promoter and the investment dealer in this development is important. They assemble the factors of production and thus initiate productive enterprises. In a system of free enterprise, it is essential that this function should be carried on, and presumably it deserves some reward. The questions arise, however, whether the promoter always acts in a socially desirable manner, and whether his reward is properly related to his contribution. Usually this reward for services is taken in the form of common stock. This gives opportunities for doubtful practices, because for every promoter actually interested in the subsequent fortunes of a business enterprise, there are many more who are interested merely in acquiring some sort of a security which can be turned over for cash. The problem is to encourage the former and discourage the latter.

Insofar as the investment dealer's function is to assemble capital and to direct it to productive ends, society depends upon his wisdom for the proper direction of its savings. If the investment dealer is foolish or dishonest, society suffers. It is thus to the general interest to have an intelligent and reliable group engaged in this activity. Yet there is probably no occupation which selects its personnel more exclusively on one basis—the faculty of salesmanship.

Once an investment house is formed, it develops an organization for the distribution of securities, the success of which depends upon its "turnover." It thus becomes vital to maintain volume of sales in order to meet the overhead costs of the organization. This means that securities to be sold must be found. The investment dealer is essentially a merchandiser. He, therefore, is always on the lookout for opportunities to get securities—preferably "good"—to sell. New concerns may supply some of these, but old concerns, especially "reorganized" established ones, are an important source from which this merchandise is obtained.

2. AN ANALYSIS OF CANADIAN CONSOLIDATIONS.

With this brief background, the following analysis of consolidations, which bears so directly on the present discussion of corporate practices, may be given.

We are here concerned with the consolidation of two or more existing and competing concerns (other than public utilities) into a single unit, and with companies which publish annual statements in the financial press and not with the consolidation of unincorporated concerns, private companies or those whose shares are closely held.

a. The Extent of the Consolidation Movement.

The following table gives the number of consolidations since 1900¹.

NUMBER OF CONSOLIDATIONS BY YEARS, 1900-1933

Year	Number of Consolidations	Number of Concerns Absorbed	Years	Number of Consolidations	Number of Concerns Absorbed
1900.....	2	19	1917.....	3	10
1901.....			1918.....	2	6
1902.....	1	45	1919.....	1	2
1903.....			1920.....	2	8
1904.....	1	2	1921.....	5	8
1905.....	1	4	1922.....	4	4
1906.....	3	11	1923.....	7	38
1907.....			1924.....	15	29
1908.....			1925.....	20	68
1909.....	9	51	1926.....	25	70
1910.....	22	115	1927.....	31	95
1911.....	14	44	1928.....	68	195
1912.....	13	37	1929.....	62	149
1913.....	5	16	1930.....	25	65
1914.....	2	4	1931.....	11	20
1915.....	4	10	1932.....	6	13
1916.....	2	2	1933.....	8	8
			Total.....	374	1,145

The most striking fact about the above consolidations is that the vast majority of them occurred during boom periods. In 1910, for example, there were 22 consolidations (a record year to that date) and a peak which was not approached again till 1925 when 20 consolidations are recorded. Then follows a steep ascent to the 68 consolidations of 1928 and the 62 of 1929. In 1933 there were six. In the earlier period from 1900-1914, consolidations affected from 30 to 40 subdivisions of Canadian industry:² particularly the coal, iron and steel group (15 cases), the pulp and paper group (18 cases), and the packing and canning groups (8 cases). In the period 1921-1930, the industries chiefly affected were brewing, canning, dairying, pulp and paper, construction materials, and the grain trade.

b. Methods of Consolidation.

Broadly speaking, one or more of three distinct procedures may be employed to bring about a consolidation of incorporated companies. They are as follows:—

- (1) *Merger*: An existing company buys outright the assets and goodwill (and possibly, also, assumes the liabilities) of some other company, which then is liquidated;
- (2) *Amalgamation*: A new company incorporates to buy outright the assets and goodwill (and possibly, also, assumes the liabilities) of two or more existing companies, which then are liquidated;

(1) See Annex III, Table 11, for a further quantitative analysis.

(2) For a table of consolidations according to class of industry see Annex III, table 12.

- (3) *The Holding Company*: An existing company acquires a majority of the voting shares of one or more other companies, or a company newly formed acquires a majority of the voting shares of one or more existing companies.

The holding company method not only saves the heavy expense incidental to the conveyance of assets and the liquidation of the associating companies which is involved in a merger amalgamation, but it may enable control to be secured with an outlay of only a fraction of the value of the assets to be controlled. It also ensures survival of the whole of the goodwill of the constituent concerns.

The merger and amalgamation methods resemble each other in principle but amalgamation involves the expense of incorporation of a new company and is resorted to only when the capital structure of none of the associating companies is suited to the requirements of the proposed consolidation.

According to this classification, the numbers of consolidations affected since 1900, by each of the various methods, are as follows:—

Acquisition of shares (holding company).....	155
Amalgamation.....	144
Merger.....	45
Holding company and merger combined.....	15
Holding company and amalgamation combined.....	6
Not known	9
Total.....	374

In many instances the form of organization originally adopted was altered later to meet changing needs and circumstances. Thus, a consolidation which originally acquired the assets of another concern, might later incorporate a subsidiary company to own and operate assets; or, conversely, a consolidation which originally took the form of a holding company, might later liquidate the subsidiary and take over its assets.

The consolidations of the years 1921-1933 involved the incorporation of one hundred and eleven new companies. Of these, seventy-four were formed under the Dominion Companies Act, twenty-two under the Companies Act of Ontario, eight under the Quebec Act, three under the British Columbia Act, and one each in the following jurisdictions: Alberta, Manitoba, New Brunswick and Nova Scotia.

c. The Purpose of Consolidation.

A consolidation is promoted to serve any of the three following purposes:—

- (1) To allay the disastrous effects of competition by establishing a condition of "imperfect competition," e.g. some degree of monopoly;
- (2) To bring into existence improved and economical methods of manufacturing, marketing, and financing, through production on a large scale (generally referred to as "the economics of large-scale production");
- (3) To provide promoters and investment houses with an opportunity of profit.

A consolidation designed to reduce competition and secure the economies of large-scale production, is likely to originate in the mind of one of the competing industrialists, to occur in times of trade stagnation, and to be effected by exchange of securities rather than by the issue of new securities. On the other hand, a scheme of consolidation designed to provide "merchandise" for the investment houses to sell is likely to have its origin in the brain of the professional promoter or investment dealer, to occur in times of stock market activity, and to involve the sale of large quantities of new securities.

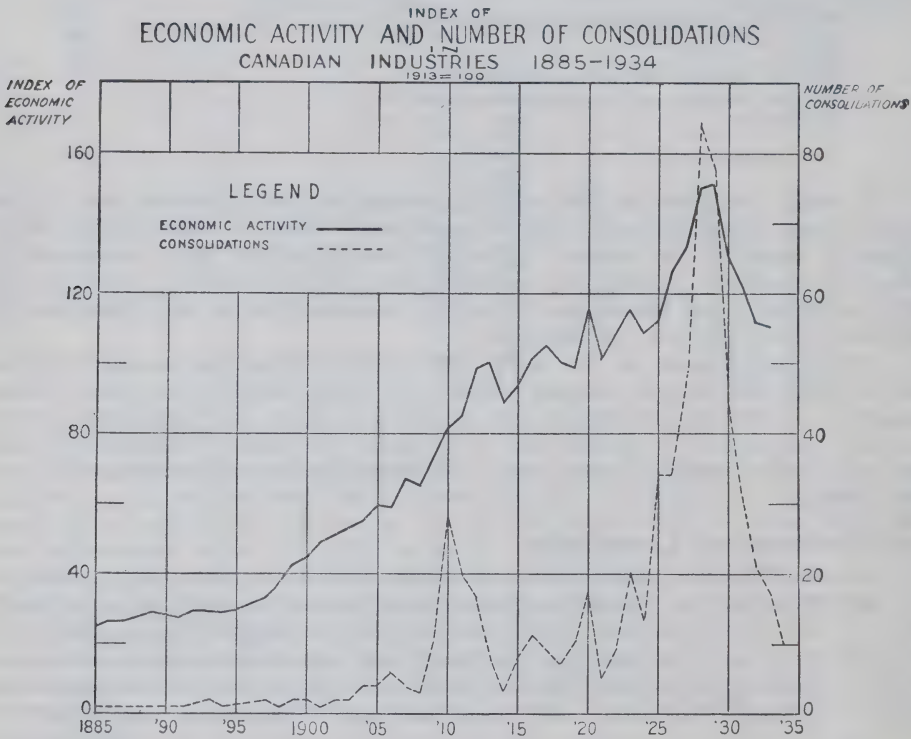
The professed objects of the Canadian consolidations may be treated summarily by pointing out that every purchasing company which issued a prospectus at the time of consolidation and alleged any motive for the con-

solidation, was confidently expecting to eliminate wasteful duplication of expenses and to secure the economies of large-scale production.

The actual objects of these consolidations are more difficult to determine. Inferential evidence that a large proportion of the consolidations was promoted by financial interests for their own advantage, is to be found in the fact that the bulk of them occurred in periods of stock market activity (1909-1912, and 1927-1929), and that they involved public financing to an amount in excess of two hundred and twenty-three million dollars. Of this sum, fifty-two million dollars in thirty-six issues was subscribed between 1909 and 1912 inclusive, and one hundred and seventy-one million dollars in sixty-four issues between 1927 and 1929 inclusive.

The chart below explains the situation.

CHART IV



A prominent and significant feature of the public financing of consolidations is the heavy preponderance of bonds and preferred shares—the latter usually with restricted voting rights. The following table shows this:—

PUBLIC FINANCING ARISING DIRECTLY OUT OF CONSOLIDATIONS

(1921-1933)

(in thousands of dollars)

Year	Number of Issues	Amount of Issues			
		Total	Bonds	Preferred and "A" Shares	Common
1921.....	1	2,000		2,000	
1922.....					
1923.....					
1924.....	1	1,000	1,000		
1925.....	4	11,952	5,266	5,686	
1926.....	2	2,200	2,200		
1927.....	14	39,305	20,525	15,100	3,680
1928.....	30	105,878	57,500	42,548	5,830
1929.....	20	25,904	7,250	18,654	
1930.....					
1931.....	1	248	248		
1932.....	1	3,750		3,750	
1933.....					
	74	192,237	93,989	87,738	9,510

It will be noticed from the above table that of \$192,000,000 worth of securities issued between 1929 and 1933, \$183,000,000 consisted of bonds, preferred stock and class A common stock. These facts support the view that the real motive of many consolidations was financial gain to the professional promoter and investment dealer.¹

They do not, however, have any bearing on the economic soundness of the consolidations themselves or on the propriety of the valuations placed upon them for purposes of capitalization. Only an investigation of the subsequent history of the consolidated concerns will throw light on these matters.

d. The Results of Consolidation.

It is difficult to generalize on the results of consolidation because it must be remembered that the two peak periods of consolidation were followed by the sharp and protracted business depressions of 1913-1916 and 1930 to date. After making full allowance for this latter circumstance, however, it seems reasonable to assume that the vitality of consolidations as a whole is lower than that of the average for all business. Facts in support of these views are contained in annex iii, tables 14 and 13.

(1) An attempt to determine whether the elimination of competition was the real objective of some schemes of consolidation between 1921 and 1930 proved largely abortive. It was hoped to compute the total assets of each consolidation, to classify the consolidation according to the census of manufactures, and by comparison of the assets of the consolidated concern with the total "capital" of the group as reported in the censuses of manufactures of 1930 to determine whether it occupied such a position in the group as to give it virtual control of the market. The attempt failed because of the impracticability of assigning to a single industrial group a consolidation which might be a vertical combination of establishments engaged in distinct branches of manufacture.

The results of this inquiry are to be found, however, for what they are worth, in Annex III, Table 13. Interpreted very broadly, they indicate that only in the fields of tobacco manufactures, asbestos products, petroleum products, nickel smelting and refining and cement manufacture has a single concern by the process of consolidation achieved a dominant position in its field; and that for the rest, the consolidation movement in Canadian industry does not seem to be responsible for any nation-wide monopoly that may exist.

Table 14 shows that nineteen of the eighty-seven consolidations occurring between 1900 to 1920, were compelled to reorganize or liquidate within from one to four years of their formation. This gives a figure of 22 per cent of failure (or 5.5 per cent each year for four years) over a period when Bradstreet's annual percentage of business failures to total number of concerns doing business ranged from a low of 0.40 per cent in 1919 to a high of 1.85 per cent in 1914.¹ After making due allowance for the fact that Bradstreet's figures take account only of formal failures to meet the claim of creditors, it seems that mortality amongst consolidations was heavier than amongst business concerns as a whole.

Table 13, covering consolidations of the years 1921 to 1930, shows that of the one hundred and thirty-one consolidations whose subsequent fortunes could be traced:—

Sixteen concerns, or 12 per cent of the total number had failed or had to submit to re-organization between 1930 and 1933;

Forty-eight concerns, or 37 per cent incurred deficits in recent years;

Twenty-one concerns, or 16 per cent showed profits steadily declining since consolidation; while only 15 concerns or 11 per cent showed consistently good or improved earnings since consolidation.

It also shows that with one exception, the earnings of every consolidation (which made an estimate of future earnings in a prospectus), fell far short of the estimate.

No basis can be secured for direct comparison of these figures with the figures for all concerns doing business during the years 1921 to 1930, but they indicate a condition of affairs amongst consolidated concerns which is certainly no better than that amongst business as a whole, and one which is, in all probability, considerably worse.²

The reason for this bad record is suggested by a close study of the individual histories summarized in Annex III, Tables 15 to 20 inclusive, and it is apparently due to one or more of three factors:—

- (1) Weakness of the constituent concerns,
- (2) Excessive capitalization involving crushing charges for interest and depreciation,
- (3) Inferior management associated with the sudden as contrasted with the gradual or natural increase in the scale of the problems of administration.

3. AN ANALYSIS OF CANADIAN REFINANCING OPERATIONS.

Consolidations have not been the only fruitful source of new securities for the investment dealer. Reorganizations or "refinancings" have been also exploited to the full.

"Refinancing" is the term used to denote the sale of an existing incorporated business by owners who are anxious, or have been persuaded, to dispose of it and who have accepted the services of promoting and investment broking interests to effect the sale. Generally it involves the following successive operations:—

- a. The purchase by the promoter of either the assets or the shares of the vendor concern henceforth known as the "predecessor" company;
- b. The incorporation of a new company (usually with the same name as the "predecessor" company or a similar name);

(1) *Canada Year Book*, 1922-23, page 871.

(2) The percentages of total number of failures (*Canada Year Book*, 1933, pp. 406 and 964) amongst manufacturing business to total number of manufacturing concerns reporting under the Census of Manufactures were as follows for recent years:

1924	1.5 per cent	1925	1.8 per cent	1926	1.3 per cent	1927	1.9 per cent
1928	2.2 per cent	1929	1.9 per cent	1930	2.0 per cent	1931	1.9 per cent

- c. The sale of the assets or shares of the "predecessor" company to the new company by the promoter in consideration of the allotment to him of securities of the new company in the form and to the amounts determined by him;
- d. The sale to the public for cash of the whole or the greater part of these securities.

a. The Purpose of "Refinancing."

To the owners of the vendor company, "refinancing" is merely an operation which enables them to "sell out" on terms which appear to them to be advantageous. To the promoter or investment dealer, it is a device used for one or more of the following purposes: to create a supply of securities which may be sold to the public at a profit, to secure control of the vendor business, and to acquire a claim to any profits without sharing in any losses.

Realization of a net cash profit from the sale of securities depends upon the promoter's selling them to the public for more than he paid for the assets or shares of the predecessor company—in other words, upon the promoter's selling the business to the public for more than the owner of the business with his inside knowledge, believed the business to be worth.

The promoter gains control and a claim to profits without risk of loss, by selling to the public non-voting securities with fixed interest or dividend return and reserving to himself the whole or a majority of the voting shares in the new company. This does not necessarily involve any cash outlay on his part.

The study of Canadian "refinancing" which follows, was undertaken to ascertain the extent and nature of such operations in Canada. It is unfortunately not possible to make any reliable calculation of the profits realized by the promoters from those activities, for it is impossible to determine accurately what amount was paid by the promoter for the assets that he bought from the "predecessor" company or whether these assets were exactly the same in form and amount as the assets that he sold to the new company.¹ Comparison of the book worth of the "predecessor" company with the capitalization of the new company is no criterion whatever of these profits. And even if the profits were ascertainable there would be lacking any precise standard by which to judge whether or not they were reasonable. It may be noted, however, in this connection that the "promoter" of a refinancing scheme is not entitled to the reward of an entrepreneur, but merely to the modest brokerage customarily payable to a broker who acts as intermediary in the sale of a property from one party to another. In the absence of direct evidence as to profits actually made by the promoters, refinancing schemes (and the promoters) must be judged by the form and amount of the capitalization with which the new companies were endowed and by the subsequent earnings histories of these companies.

b. The Extent of Refinancing Operations, 1926-1933.

The table below shows for each of the years 1926-1933, the number of refinancing operations which took place and the amounts of assets and of public financing which these operations involved. It must be understood that the figure of "Net Tangible Assets" in this table is in many instances the amount certified for prospectus purposes by an appraisal company possessing a knowledge of the capitalization proposed by the promoter for the new company.

¹ In exceptional cases it is possible to make an estimate of these figures. Thus in the formation of the British Columbia Power Corporation, Limited, the promoters apparently paid some \$57,000,000 for the shares which they acquired in the predecessor company, and they sold to the public securities in the new company to the amount of \$60,000,000. They netted a gross cash profit of \$3,000,000 and Class B shares which gave them control of the new company.

SUMMARY OF REFINANCING 1926 TO 1933

(in thousands of dollars)

Year	Number of Instances	Net Tangible Assets as Valued for Prospectus Purposes	Total Amount of Securities Sold to Public	Per cent of Securities Sold to Net Assets
1926.....	7	45,077	15,250	34
1927.....	20	83,777	68,664	82
1928.....	40	245,075	170,165	69
1929.....	18	46,627	36,960	79
1930.....	3	3,137	1,450	46
1931.....	0			
1932.....	0			
1933.....	0			
Totals.....	88	423,693	292,489	69

From this table it is seen that refinancing operations were prevalent throughout the years 1927, 1928 and 1929, but that they reached their peak in 1928, when forty occurred involving net assets valued at \$245,075,374. There were a few instances in 1926 and 1930, but none has occurred since 1930. Clearly a "refinancing" operation is a phenomenon associated with a period of stock market inflation. The securities sold to the public to effect the sale of the eighty-eight concerns listed, totalled just under three hundred million dollars and represented sixty-nine per cent of the "net tangible assets" of these concerns. In 1928 alone, over one hundred and seventy million dollars of securities were sold, representing the same percentage of the "total net assets" of the forty concerns involved. These figures may be compared with the estimated figure of five hundred and twelve million dollars as the grand total of all securities (no matter their origin) sold to the public from 1927 to 1929. The comparison suggests that money then available for investment far exceeded the opportunities for investment in new enterprises and that refinancing schemes were promoted in order to create a supply of new industrial securities equal, in nominal amount at least, to the demand for that type of security. It may be noted that the eighty-eight new companies formed were incorporated as follows:—

Jurisdiction	Number of Incorporations
Dominion.....	55
Ontario.....	16
Quebec.....	7
British Columbia.....	3
Nova Scotia.....	2
New Brunswick.....	1
Saskatchewan.....	1
Not known.....	3
	88

The table below offers a summary analysis by years of the securities sold to the public in connection with refinancing schemes and shows that bonds, preferred shares and Class "A" shares accounted for \$265,052,375 or 91 per cent of the total offerings.

ANALYSIS OF SECURITIES SOLD TO THE PUBLIC IN REFINANCING OPERATIONS

(in thousands of dollars)

Year	Total Amount	Bonds		Preferred Shares		Class "A" Shares		Common Shares	
		Amount	Per cent of Total Securities	Amount	Per cent of Total Securities	Amount	Per cent of Total Securities	Amount	Per cent of Total Securities
1926.....	15,250	4,500	30	6,750	44			4,000	26
1927.....	68,664	25,800	38	28,795	42	2,248	3	11,821	17
1928.....	170,165	28,225	17	49,758	29	82,129	48	10,053	6
1929.....	36,960	11,820	32	17,715	48	5,863	16	1,562	4
1930.....	1,450	1,300	90	150	10				
1931.....	0								
1932.....	0								
1933.....	0								
Totals....	\$292,489	\$71,645	25	\$103,168	35	\$90,240	31	\$27,436	9

Bonds do not carry any voting rights and, of the preferred and Class "A" share issues listed in the table and totalling \$193,407,375, less than ten million dollars carried unrestricted voting power. In short, eighty-seven per cent of the total amount of all securities sold to the public consisted of non-voting securities. Many issues of bonds and preferred shares were offered with a bonus of voting common shares but in no instance did the common shares so offered amount in the aggregate to more than a small minority holding of such shares.

It seems clear from this analysis that in general the refinancing schemes were so constructed as to afford the public the privilege of subscribing the requisite amount of cash while endowing the promoters with unhampered control of the new companies. No evidence is available as to the actual worth of the consideration received by the new companies for the issue of the common or Class "B" shares to the promoters, but an analysis of subsequent earnings histories of these companies (given below) indicates that in many, if not most instances such considerations must have been purely illusory.

c. The Results of Refinancing Operations.

Of nineteen companies whose bonds were sold to the public and whose subsequent earnings are known:—

- (1) Ten companies have failed to earn bond interest consistently to date. Eight of these companies have failed to earn interest since 1930 or earlier; one since 1931 and one since 1932.
- (2) Of the ten companies in (1) six have already passed into receivership.
- (3) The remaining nine companies have earned bond interest to date.

Of forty-seven companies whose preferred shares were sold to the public and whose earnings are known:—

- (1) Eight have been liquidated or are in process of liquidation.
- (2) Thirty others have failed to earn the preferred dividends in one or more years.
- (3) Nine have earned the preferred dividend regularly to date.

Of thirteen companies whose Class "A" shares were sold to the public and whose earnings are known:—

- (1) Not one has earned the Class "A" dividend every year to date. Four earned it the first year only; three the first two years only; two the first three years only; and two the first four years only.

- (2) Not one has earned the Class "A" dividend in 1933. Only one earned it in 1932; only two earned it in 1931.
- (3) The majority incurred operating deficits in 1932 and 1933.

Of thirteen companies whose common shares were sold to the public and whose earnings are known:—

- (1) Three were early absorbed in consolidations and lost their identity.
- (2) Three earned something on the common shares up to 1932.
- (3) Seven have failed to earn anything on common shares in recent years.

Almost without exception the realized earnings of these companies which estimated their earnings for prospectus purposes have fallen from the beginning far sort of the estimates. It would indeed be more accurate to say that they have never approached the estimated earnings, for a comparison of the two figures gives results which are nothing short of grotesque.

This summary of earnings histories points to the following conclusions:—

- (1) That the refinancing operations were attended by gross over-valuation of assets and consequent over-capitalization.
- (2) That the so-called bonds, preferred shares and Class "A" shares had in many instances no real equity junior to them; in other words, that the receivers of the common stock gave no real consideration to the company for the issue of these shares.

The promoter of a refinancing scheme is in fact, but not in law, acting as a broker in the sale of a business as a going concern. If his legal position could be adapted to his actual position, he would be required to reveal to the buyer the exact amount and nature of his interest in the brokerage transaction. There is some reason to suppose that if publication of this information had been obligatory in the years 1927 to 1929, fewer sound old established Canadian businesses would have been refinanced and serious losses would have been averted.

4. ILLUSTRATIONS OF CORPORATE PRACTICES FROM THE EVIDENCE.

With this general picture of the financial background of the period in mind, we may refer to three cases which illustrate some of the practices discussed above. These cases are Simpson's Limited, Toronto, Burns and Company, Limited, Calgary, and Canadian Cannery Limited, Hamilton. These three companies have been investigated by us and much of their history has already emerged in the evidence. We cite them here merely because of that fact. We have no doubt there are many other cases that have not been brought officially before us but which might prove even more striking examples of some of the practices to which we have been referring.

The details of these three cases are given in Annex iv. Here we merely state the general conclusions from the facts outlined in that Annex.

The first case, the Robert Simpson Company and associated companies, is one where the original owners sold out to the public on terms most advantageous to themselves. In creating the security-structure an additional burden of fixed cost of \$1,000,000 per annum, was placed on the operating company. The public holds certain classes of securities which are yielding no return at present and to earn a return on which the company would have to operate on a scale which seems extremely optimistic. More narrowly, the successive reorganizations erected a pyramid of bonds, preferred, Class A and B common shares, secured entirely in the first place on the junior shares of the operating company. If these common shares paid no dividend, the holding company received no revenue. But this position was altered when by purchasing the assets of the operating company, but not paying for them, nor even paying interest on the debt, the holding company was able to charge a rental and

thereby ensure some revenue, whether or not the operating company was profitable. That this action lessened the security of the holders of bonds and preferred stocks of the operating company, who should have ordinarily a first call on earnings, is obvious and in our opinion is an illustration of a questionable financial transaction.

The reorganizations witnessed two appraisals of the fixed assets of the Canadian Appraisal Company, by virtue of which over \$8,000,000 was written into the capital. The remuneration of the investment dealers, Wood Gundy & Company, seems to us entirely out of proportion to the service performed.

The Burns case illustrates three main points in the practice of corporation finance. Firstly, it involves the write-up of assets for the purpose of establishing nominal asset values to cover the issue of new securities—that is stock-watering. Secondly, it represents a distinctly doubtful case of an investment house misstating the income figures, through the depreciation allowance, for the purpose of showing sufficient income to cover the interest and dividend needs of the new securities. Thirdly, it raises the propriety of a re-financing utilizing the above practices, at the top of a business boom and the inevitable reorganization after the boom. As the facts are related in detail elsewhere, it is sufficient to state here that this case is one of the most flagrant which we have encountered. We wish to condemn without reservation or equivocation such financial malpractice as it illustrates.

The case of Canadian Cannery Limited involves slightly different considerations. The company was formed by the banding together of a large number of independent canning and preserving companies and was enlarged on several later occasions to bring in numerous independent canners. Plants acquired were paid for, usually, by issuing capital stock and bonds. Upon each successive reorganization the company's plants were revalued. The exact amount of appreciation and other intangible assets included in the recent balance sheet is not clear, but it is at least \$6,000,000, equivalent to over 50 per cent of the presently outstanding capital stock.

The extent of the excess capital issued for appreciation of assets on appraisal or other revaluation, for bonuses in excess of appraisal values, for services, etc., is indicated by the fact that during the past eleven years, despite meagre and diminishing annual depreciation provisions, the operating profits on the book capital in only one year exceeded 5 per cent and averaged less than 3 per cent.

None of the capital stock of this company was sold for cash but was issued entirely for assets acquired and for services. Mortgage bonds to the extent of \$958,500, have been sold for cash, but on the other hand, bonds having a par value of \$1,876,100, and shares having a par value of \$672,300, have been purchased for redemption. The company has also invested a substantial amount in its own shares which shares have not been redeemed but are carried upon its balance sheet as an asset; a practice which is possibly illegal and certainly improper.

The president of the company is a stock broker whose firm, Avern Pardoe & Co., is the largest registered holder of shares in Canadian Cannery, Ltd. While many of these shares are held for clients, there can be no doubt that the requirements of investors greatly influence the actions of the management.

The evidence regarding the operations of the company revealed that an inaccurate statement of the company's financial position was shown by the balance sheet presented to the shareholders in 1932; this was signed by the company's auditors, only subject to certain vital qualifications. The profits as shown did not in fact exist. The failure of the directors to see that the true facts were disclosed provides a reprehensible example of faulty stewardship exercised by a minority management group.

5. THE MAIN PROBLEMS TO BE SOLVED

The above cases indicate four main problems which warrant specific consideration. They are:

- a. *Over-capitalization.*
- b. *Appraisal practices.*
- c. *Accurate and adequate information for the investor and shareholder.*
- d. *The place of the investment dealer.*

As to (a), over-capitalization or stock-watering is one of the most widespread evils associated with incorporation of companies; it is made even more objectionable because it is in fact legalized. Vendors and promoters allot shares to themselves, for services and properties contributed to the company, at a figure grossly in excess of any possible intrinsic value. Frequently, the balance of the issue is then offered to the public, which buys it for cash. The holder of a share who has given for it services worth possibly \$1.00 is on an equal footing with the holder of another share who has given \$100.00 cash for it. Each share may have only approximately \$50.00 of real assets behind it, so one shareholder has been mulcted of nearly \$49.00 by the other. This situation is virtually legalized, because the courts ordinarily do not inquire into any consideration other than cash given for shares. The courts will force a man who has paid \$99.00 for a \$100.00 par share to contribute the other dollar; they seldom do anything about the man who has contributed a table worth, possibly, \$10.00 at the absurd valuation of \$20,000.00.

As to (b), the usual method of writing up the value of assets is through the so-called appraisal companies. The alacrity with which certain appraisal companies appear willing to give a desired valuation to almost any type of asset is evidence enough of the general unreliability of their certificates.

As to (c), the question of adequate and accurate information: there is no argument whatsoever against giving a prospective purchaser of a security every relevant bit of information concerning the security which he is about to buy. The same applies to the shareholder. This is the least that can be done. If all the facts as to what was actually being done had been given to the public in the case of the Burns' and Simpson's financing operations referred to above, it is almost certain that the securities could not have been sold with such ease. Even allowing for the cupidity of the public, it is hard to see how the preferred stock of the Burns company could have been sold when the preferred dividend was barely earned.

As to (d), it is obvious that the investment dealer cannot be relied upon to safeguard the interests of the investor. That has been clearly shown in the cases summarized. The interest of the investment dealer is allied with that of the vendor group. His whole position as a merchandiser makes him almost incapable of anything but *ex parte* statements. His mistakes have been all too frequent. Too often the fees he has received, rather than the economic justification for the issue of securities offered, have been the deciding factor in his activities.

4. REMEDIAL SUGGESTIONS

We now come to suggestions and recommendations for remedial action. In making these recommendations we are not so optimistic as to believe that any legislation, however wisely conceived and effectively administered, will prevent all foolish investments or all unsound company promotion. We have, indeed, no right even if we had the desire, to take away from the citizen "his inalienable right to make a fool of himself." We do, however, feel that we have the right to attempt to prevent others making a fool of the citizen. We would emphasize also, first, that permission for a group of persons to be incorporated into a company, should be viewed as a valuable concession granted by the state, especially

in relation to the convenience of a general restriction of personal liability, and second, that such a concession involves corresponding obligations and responsibilities. Not the least of these obligations is to ensure that there shall be full and accurate information as to all the facts concerning every company that seeks incorporation or financial support from the public after such incorporation.

We may anticipate at the outset a general objection that will be levelled at many of our suggestions, namely, that Canada is a young and developing country, and as such needs and will continue to need capital; that no unnecessary obstacles or discouragements should therefore be placed in the way of the assembling of such capital from the investing public. To this objection we have one answer. All our recommendations are designed to encourage sound development through the discouragement of unsound and reckless promotions of the kind which too often characterized the financial history of this country in the last fifteen years. Even if, for the sake of argument, we make an admission, the validity of which we do not accept, that some capital might be frightened away by laws designed to protect the investor, the amount of such capital is not likely to come within measurable distance of the millions lost to this country by unwise and reckless promotions, millions which might have been saved if some of the recommendations we are about to make had had the force of law.

Many of the remedies which we suggest for the evils disclosed involve amendments or additions to existing legislation. This brings up at once the question of jurisdiction. It is obvious that the existence of ten jurisdictions, each having the right to make its own laws for the incorporation and regulation of limited liability companies—and each in fact exercising this right—greatly complicates the problem of control through such legislation. It is not part of this report to discuss fully the problems arising from multiple jurisdictions, but the question is so important that it cannot be ignored.

One possible solution for this problem would be to amend the constitution so that the Dominion Parliament would obtain exclusive jurisdiction over companies by the provinces surrendering such jurisdiction over property and civil rights as would be needed to secure effective control. Difficult as this solution may appear, it would in practice be the most satisfactory one.

A more realizable alternative would be to obtain uniformity in the essential features of the Dominion Companies Act, and the provincial Acts through the co-operation of the legislatures concerned. Though two Dominion-Provincial Conferences have not succeeded in securing uniformity by this method, we think that the difficulties in the way of such an achievement can be overcome.

But whatever may be the solution of this constitutional problem, it is clear that growing public resentment necessitates further social control of the financial operations of companies. Accordingly, it is urged here that, within its legal competence, the Dominion should to the very limit give leadership with a strict Act. We feel that the prestige of a Dominion incorporation is such that the provinces will follow such a lead. If they do not, then the question of securing uniformity by constitutional amendment would have to be considered.

This view, it may be noted, is in direct contradiction to that expressed by many who believe that the federal act cannot be much more advanced than provincial legislation; that if it is, the Dominion will lose incorporations and revenue to the competing jurisdictions. There is, however, every reason for believing that a bold position with respect to the federal act will in the long run, strengthen rather than weaken the Dominion's position, and that it will encourage a general improvement through similar provincial reform measures.

A stringent federal act, for instance, might well put a premium on federal incorporations by giving a decided advertising value to the sale of the securities of companies so incorporated. Even if, for a time, certain provincial acts remained less strict than the federal act and there were some temporary diversion of applications for incorporation from Ottawa to the provinces, the loss of revenue, if any, would be a paltry sum to balance against the social gain involved.

1. AMENDMENT OF THE DOMINION COMPANIES ACT.

Therefore, in an effort to remedy some of the abuses discussed in the previous sections of this chapter, and pending some satisfactory solution of the problem of uniformity, we recommend certain changes to the Dominion Companies Act, irrespective of what the provinces may do.

These changes are based on the assumption that limited liability company legislation involves three sets of obligations, as follows:—

- a. Upon the company to create a non-withdrawable fund of capital, which would operate as security for bond holders, for creditors and shareholders.
- b. Upon the directors to give publicity to the affairs of the company by full annual statements and periodic reports, for the information of shareholders, bond holders and other present and prospective creditors.
- c. Upon promoters, directors, etc., to give full and accurate information to all persons who are invited to purchase shares or other securities.

To strengthen and make more effective the first obligation, we recommend either the abolition of shares of no-par value, or the requirement that the full consideration received for no-par shares should be credited to the capital account.

In respect to the prohibition of no-par stock it should be remembered that this, by itself, would not entirely solve our problems and might indeed raise new problems. For instance, prohibition of no-par shares would mean that some provision might have to be made for the issue of stock at a discount to avoid unnecessary complications in respect to companies, the market value of whose capital has shrunk.

The alternative proposal to complete prohibition, namely, the abolition of the right to allocate any part of the consideration received for an issue of no-par shares to distributable surplus, would achieve the same objective. Under the present Companies Act, the amount of the issue price of such shares which may, at the directors' discretion, be carried to distributable surplus (and hence utilized to pay dividends to shareholders) is limited to 25 per cent; or where the company acquired a going concern which had a surplus over and above all liabilities, an amount which does not exceed the unappropriated balance of realized net profits of such going concern, immediately before acquisition. The present Act also prohibits retroactive transfers from capital to surplus in respect to shares issued exclusively for a consideration payable in money. These are excellent provisions as far as they go, but they should be strengthened by stipulating that 100 per cent, not 75 per cent, of the consideration received, must be placed in the capital account.

This same idea might well be extended to cover par stock. At present, a company which sells its shares for more than par, is required to put the amount of the par value in the capital account, but is allowed to put the premium—excess over par—in the surplus account. This premium can be distributed as dividends. We doubt if there is any sound reason for this practice and we are of the opinion that the full consideration received for par shares should be regarded as capital. We, therefore, recommend that all premiums received on the sale of par stock, should be placed in a capital or non-distributable surplus account.

A similar problem arises with respect to the writing-up of fixed and intangible assets, a practice which has given rise to much abuse. It is possible, for a company to write up an asset, thus creating against the new asset value a surplus account; then dividends paid in cash may be charged against the surplus. This practice simply means that dividends are paid when the company's position does not warrant it. Accordingly, we are of the opinion that all increases in surplus or reserves which result from an increase in asset values (as a consequence of write-ups, appraisals, etc.) should be regarded as capital surplus, that is incapable of having dividends, directly or indirectly, charged against them.

Another desirable reform would be to require that companies should be incorporated only for activities which they intend seriously to pursue at the time of incorporation, and to amend the present law to prevent companies engaging in activities not directly related to those for which they were incorporated. We feel that, if a company desires to extend its activities to a field not closely related to the activities specified in the original incorporation, this should only be permitted after adequate publicity has been given. For instance, if a company incorporated for merchandising wished to go into the gold mining business, it should require (1) the approval of the shareholders, and (2) supplementary letters patent from the competent authority of the Government. In this way, investors would not, through the action of directors, become involuntary participants in a type of business which they did not anticipate when purchasing their shares.

We now come to suggestions with respect to publicity. We feel that complete and accurate information concerning each issue of shares made to the public by an incorporated company, is the most effective, and at the same time, the least questionable protection which the investor can be offered.

The provisions of the existing Dominion Companies Act with regard to publicity concerning the financial affairs of a company, place Dominion legislation well in the van in this respect. A company with a Dominion charter must now present to the annual meeting a yearly balance sheet, a statement of surplus, and a statement of income and expenditure. To ensure that such statements should be given adequate publicity they, together with the auditor's report, should be required to be published in a daily paper enjoying wide circulation in the locality where the head office of the company is located and in some official paper such as the *Canada Gazette*. It should further be incumbent on the company to file such statements with a public authority, more specifically with the Securities Board referred to later in this section. Finally, the responsibility for carrying out these provisions with respect to publicity should be placed on the board of directors of the company who should file with the Securities Board satisfactory proof that this obligation had been carried out. Suitable penalties should be provided for non-compliance with these provisions.

We feel also that the present Act might be amended to enlarge the information now required. Section 112 of the Act sets out certain details in respect to this information. This section might be elaborated somewhat to require information under the following headings:—

- (a) Fixed and intangible assets—in more detail than are at present given; land, buildings, plant and equipment being shown separately, and where there is idle plant or unused property in any substantial amount, this also to be shown separately.
- (b) Investments and securities—nature of and market value.
- (c) Inventories—so as to show raw materials as distinct from manufactured goods or goods in process of manufacture; with specific divisions for such things as containers, spare parts, etc., where they represent substantial amounts.
- (d) Accounts and notes receivable—in such a form as to make a distinction between current and overdue or doubtful accounts.
- (e) Executive salaries and bonuses—so as to show the number of executives and the total amount paid.
- (f) The amount, if any, by which fixed assets, including goodwill and other intangibles, have been written up.

With respect to the prospectus provisions of the existing Dominion Act, these are at present most unsatisfactory. They provide for most extensive information, it is true, but unfortunately, from the investor's viewpoint at least, a prospectus has to be delivered to the purchaser only in respect of securities

offered by the company, or on its behalf. It is well-known that a company customarily sells its shares, not to the public either direct or through agencies, but outright to an investment house. The investment dealer, in retailing the securities to the public, is not acting on behalf of the company, but is selling its own property and is not, therefore, subject to the new prospectus clauses. This, to a great extent, nullifies their value and should be altered.

There is a body of legal opinion which holds the view that the federal legislature has not, through the Companies Act, the constitutional power to impose prospectus obligations or liabilities on persons outside the company, as this would violate the property and civil rights clauses of the British North America Act. There is another view, however, that the federal legislature can impose all the obligations it likes on its own creature—the company with a Dominion incorporation.

We see no reason why a Dominion company and its directors should not have imposed upon them by law the same obligations and responsibilities in respect of an advertisement or other offer of shares for public subscription, by underwriters or investment dealers who have purchased the shares for resale, as if the underwriters or investment dealers were technically the company's agents and offering the shares to the public on the company's behalf. This would place upon the company the responsibility for statements in advertisements of shares by such dealers. These advertisements should be subject to all the requirements now governing prospectuses. It would be unfair to saddle the company with responsibility for all representations made by holders of shares upon sale of those shares, but the company and its directors should be responsible for representations made on any offering for general public subscription, whether made on behalf of the company or not.

Even if this change cannot be made through the Companies Act, the end desired might be achieved by making it a criminal offence for anyone to offer for public subscription securities of a company with federal incorporation, if those securities have not been subjected to the prospectus obligations of the Dominion Companies Act.

Furthermore, we believe that every prospectus should state in clear detail all commissions, fees and other remuneration received by the promoters, underwriters, or middlemen. The net consideration received or to be received by the company should be clear to the investor.

The Companies Act, prior to 1934, stipulated that whenever shares were allocated otherwise than through an offer to the public, a statement in lieu of prospectus and containing much the same information, had to be filed with the Secretary of State, by the company. This at least provided anyone who was offered shares by an investment dealer a means of obtaining statutory information. The present Act does not require any statement in lieu of prospectus, which obviously is within the legal powers of the federal Government to demand. We recommend that companies be required to file such prospectus information, and to publish it in a daily newspaper enjoying wide circulation in the locality where the head office of the company is located and in the *Canada Gazette*.

We recommend also that steps should be taken to simplify the capital structure of corporations, by limiting the classes of shares that may be henceforth offered to the public, to common and preferred—without any of the numerous subdivisions that now so often confuse and mislead the investor, and facilitate the concentration of control in the hands of entrepreneurial groups. Allied to this provision would be a stipulation that every share offered, both common and preferred, should bear equal voting rights. Management shares should be prohibited.

We further recommend that when the management of a company have become aware of the serious impairment of the capital of that company, they should be required forthwith to inform the directors of that fact, who shall be under obligation, immediately to call a meeting of shareholders and put the above situation before them.

2. THE POSITION OF DIRECTORS.

In discussing the responsibility of directors generally, we should refer to the practice of naming "provisional" directors who are often no more than clerks in solicitors' offices. While this practice undoubtedly facilitates the prompt organization of a company, these directors are at times called upon to transact important business before resigning in favour of the permanent board of directors. We feel, therefore, that the first permanent directors should be held responsible for all business transacted by the provisional directors.

We desire also to refer to a practice which was brought to our attention in evidence submitted, namely the growing practice of multiple and interlocking directorates. This we feel to be an unhealthy and possibly dangerous development. We feel strongly that corporate growth in this country would proceed along sounder lines than it has in the past, if all directors were actively engaged in directing the concerns of which they are directors.

Evidence has been given that, in some cases, directors through large holdings of their company's securities have been in a position where their personal interests have conflicted with those of the company. Later in this chapter, we recommend that directors should eventually be placed in a trustee capacity with regard to all security holders. This, in part at least, might be brought about by prohibiting directors from speculating in the shares of their companies. To ensure such prohibition being effective, they should be required to disclose annually to their shareholders the extent to which they have directly or indirectly purchased or sold their company's shares during the year.

3. THE PREVENTION OF STOCK-WATERING—THE SECURITIES BOARD.

We now come to a most important point, namely, provisions to discourage stock-watering which is, at times, almost as destructive as currency debasement. Where the capital structure is illusory it falsifies all statistics and calculations based upon it. To strike at this practice we make two recommendations: first, that it should be made illegal for directors, promoters, etc., to issue fully paid-up shares unless the company receives for these shares, adequate consideration in each, property, or services. The duty of investigating and determining the adequacy of such consideration, where such adequacy is involved in any litigation, should be placed squarely on the Courts.

Although the present legal situation is not perfectly clear it would appear that in practice, Canadian Courts show a reluctance, which amounts to virtual refusal, to inquire into the adequacy of consideration if it is in some form other than cash. If, in some way, the duty of such inquiry could be definitely placed on the Courts, a most valuable step forward would have been taken.

We do not think that this would be placing any burden on the Courts which they could not adequately discharge. It is a customary practice for Courts to-day to place a value on an arm, an eye, or a reputation. There is no reason why they should be unable to place a value on a body of assets given as consideration for an issue of stock. If the decision of the Courts should be that adequate consideration was not given, then liability for the balance of the consideration unpaid should attach to the directors concerned, if it could be shown, (a) that such directors had knowledge of the inadequacy of the consideration, or (b) failed to take reasonable steps to ascertain the adequacy of the consideration. This would not merely discourage stock-watering but might also check that growth of interlocking and multiple directorates to which we have referred.

The machinery outlined above, however, can only come into action after the securities have been issued. It should, therefore be supplemented by and combined with some machinery which would review the situation before the securities were issued. This leads logically to the formation of an Investment or Securities Board, functioning as a section of the Federal Trade and Industry Commission, recommended later in this report. It should co-operate closely with that department of the Government responsible for incorporations but should not, we feel, be an administrative division of such department. The functions of such a board should be to review the proposed capital structure of all companies incorporated under the Dominion Act and desiring to issue bonds or stock to the public. In other words, the Board would pass on all issues of bonds or stock after thorough investigation. In performing this duty, the Board would necessarily give careful consideration to the proper relation that bonds or stock to be issued, bear to the company's assets. In the case of an industrial company, for instance, the Board would have to decide up to what percentage of the fixed assets a bond mortgage should be issued and, in the case of shares, what return could reasonably be expected. It might insist that a bond issue should not exceed the percentage of fixed assets which is normally considered sound practice for the mortgaging of real estate. This would eliminate the issuing of bonds by holding companies secured by assets consisting largely or wholly of shares in another company; thereby placing the bondholder in a junior instead of a senior position so far as the fixed assets of the other company is concerned. It should insist also that, before the proposal for an issue is submitted to it, the sanction of the shareholders in special meeting be obtained and that the approval of bonds should be given only for the amount actually required at the time of issue.

Moreover, creditorship securities are now occasionally issued with such designations that they convey the impression that they constitute a lien or charge on property when in fact they are merely unsecured obligations ranking with other similar unsecured debts of the company. The proposed Board should prohibit this practice. At the very least, any company issuing a security which bears the name of a debenture and which does not constitute a lien or charge on property, should be required by law to state that fact prominently in red ink, or, in some similar manner, on the face of the document.

The Board should have the power to send in its own auditors for necessary investigations, or to summon appraisal companies, companies' auditors, etc., and secure from them all the details of present transactions and past financial history of any company whose proposed issue of bonds or shares is being investigated. The Board should scrutinize as well the advertising and publicity material to be given to the public at the time of offering for sale to ensure that the true character of the transaction is disclosed. It should have no power formally to approve of any issue; merely to reject those it did not approve. There should be strict provision to the effect that no company or investment house whose proposed issue of shares had not been rejected, should be permitted to make any reference to that fact in its advertising literature, or even to the fact that the Board had reviewed the terms of its offer to the public.

It is not suggested that such a board should have any authority over the affairs of private companies. On the other hand, a private company going to the public for the first time, even for a loan on mortgage bonds, should be subject to investigation as far back as the Board deemed it necessary, with a view to deciding whether the company would have the right to obtain funds from the public at large.

We feel that a board functioning as indicated above would go a long way to prevent the gross over-capitalization which has gone on.

The Board would also exercise a very necessary and desirable restraint over the activities of appraisal companies. Evidence before us has established

beyond doubt the frequent unreliability of certificates of appraisal companies and the doubtful way they are sometimes used for stock selling purposes. We therefore recommend legislation making appraisal companies liable in damages to anyone suffering loss through the purchase of stock, to which purchase any such appraisal has contributed, if it can be shown that such appraisal was untrue in any material part, and that it was issued or published by the appraisal company (a) without honest belief in its accuracy or (b) without such company having first taken all reasonable means to verify the accuracy of the facts or opinions contained in the appraisal.

We realize, of course, that it may be stated that if the Government gives any Securities Board, as outlined above, the right to review all issues of securities, this will involve accepting the responsibility for the fortunes of all issues which it has not prohibited, and that the public will throw the blame on the government for any losses which they might incur through investments in such companies. This argument is met, in part at least, by our suggestion that adequate steps be taken to ensure that the Board's preview of an issue must not be used in the advertising material of the investment house or the company. It should also be pointed out that the Government at present exercises strict powers of supervision and control over banks and insurance companies, without admitting that such supervision makes it responsible for the fate of investments in such banks or insurance companies. In any case, we feel that the advantages of having the capital set-up of companies reviewed before securities are issued far more than neutralizes the risks, if any, which might be involved.

There is one other question which we should like to raise, namely, whether mining companies should not be exempted from these specific recommendations mentioned above which would require the courts to inquire into adequacy of consideration and make the directors liable for any inadequacy found. Mining promotions are by their very nature speculative and the element of chance cannot be eliminated from them. While we feel strongly that they should be put on exactly the same basis as all companies with respect to information, publicity, etc., we are of the opinion that in respect to the recommendations referred to above, they might well be given exceptional treatment.

4. CONCLUSION.

In conclusion, we think it of primary importance that the legal fiction that ownership means control, should be replaced by an acceptance of the fact that shareholders are often in effect a powerless group and properly the subjects of a trustee relationship.

It is clear that the very size of many companies precludes a shareholder from being active and that, with the diffusion of equity securities, it is probably not to the shareholders' interest to be active. This, combined with geography and the proxy system, makes it inevitable that owners of companies will be able to a lesser and lesser extent, to take any of the responsibilities of such ownership. The entrepreneurial group more and more will secure control. One notable evidence of this development is to be found in the absence of opportunity for shareholders effectively to question and examine the management of their companies at the annual meetings; meetings which, as is well known, are more often concerned with securing the speedy performance of the statutory requirements, including the formal sanction of the company's annual statement, than with a serious examination by the shareholders into the company's activities and present position. The auditor of the company, who in theory represents the shareholders, need not be present and, indeed, is seldom available for questioning. The whole procedure is in fact of little value as a protection for the shareholders' interest.

For reasons such as above, we feel that the whole trend of law should be towards putting the managers and directors in a trustee capacity, with respect to all security holders.

CHAPTER IV

INDUSTRY

1. INTRODUCTION

In this chapter we summarize the results of our general investigation into certain specific industries. We were not called upon to survey the whole of Canadian industry, but we feel that we have covered a representative cross-section, ranging from industries such as tobacco manufacturing, meat packing, farm implements, and canning, in which concentration has developed far, through others such as textiles and milling, in which large and small concerns exist side by side, to those such as baking, which still remain predominantly small-scale in character. Our sample goes from almost complete monopoly at one extreme to disorganized cut-throat competition at the other.

Most of the problems of modern business are the joint product of three of its associated but distinguishable characteristics; the growth of the corporate form of organization, the development of large-scale production, and a widespread but not universal tendency toward, at least, quasi-monopolistic concentration.

The first of these characteristics, the corporate structure, has been examined in the preceding chapter. Its development, in general, has profound implications for economic theory and policy but, in detail, it raises chiefly problems that are narrowly financial. Before turning to the specific industries investigated, therefore, it might be useful to examine briefly the development of large-scale production and concentration, from the point of view of industrial, rather than financial organization. These developments carry very direct consequences for the wage-earner, the primary producer, the consumer, and the state itself, and we devote later chapters to each of these special points of view. Here, however, we discuss industrial concentration in its more general aspects.

1. LARGE-SCALE PRODUCTION.

Since the early nineteenth century, the scale of industrial operation has increased. Small or medium sized plants have gradually been superseded by very large plants. This development, however, has not proceeded evenly. In some countries, such as France, large-scale production has developed less than in others such as England; in some industries, such as baking, less than in others such as cigarette production.

The movement results from certain technical, managerial and marketing economies that can be achieved by enlarging the scale of production. More adequate utilization of by-products, more complete specialization of labour and machinery, increased opportunities for research are typical technical economies. Managerial economies arise when further specialization of such functions increases expertness and when the costs of certain other functions, such as advertising, increase less rapidly than the output of goods. Marketing economies result from the purchase of raw materials, the sale of the finished product, and the transportation of both, in large quantities.

These economies, as the scale of production increases, may however be offset by certain limitations. As a plant grows in size, co-ordination of the minutely subdivided operations becomes more difficult. The relative scarcity of managerial ability limits continued growth. The characteristics of certain

products (e.g., non-standardization, perishability), of certain processes (e.g., necessary handwork), and of certain markets (e.g., style changes) similarly limit the size of efficient operation in particular industries. Even where the most efficient size of operation in any one industry may be very large, small plants may continue to survive if the proprietor's interest, energy and power of quick decision offset, as they often may, the superior technical efficiency of specialists in a large firm. In only a few industries, therefore, have large-scale plants entirely displaced the small. In some industries, small-scale production still survives as typical.

Nevertheless, there is a general tendency toward larger production units. In the United States, manufacturing establishments with an output of \$1,000,000 or more in 1904 represented only .9 per cent of the number of plants but produced 38 per cent of the output. By 1919, they had increased to 4.85 per cent of the plants and produced 68.18 per cent of the output, and in 1929 to 5.57 per cent and 69.22 per cent respectively. In 1904, they employed 25.6 per cent of the wage-earners; in 1919, 57.47 per cent; and in 1929, 58.24 per cent.

In Canada, comparable figures are not available for earlier years, but the trend is much more evident for the last decade than in the United States where in fact the development has slowed down somewhat. In 1922, plants in Canada with an output of over \$1,000,000 were 1.9 per cent of the total number, but produced 52 per cent of the total output; in 1929, they were 3.2 per cent of the number but produced 62 per cent of output. In 1923, plants with over 500 employees represented only less than one-half of 1 per cent of all plants, but employed 21 per cent of all employees. In 1929, they constituted almost three-quarters of 1 per cent of all plants, but employed 27 per cent of all employees.

2. COMBINATION.

Large-scale production refers to the size of the producing unit. Combination refers to the scale of management. Whether the actual plants be large or small, their combination under one management may achieve two distinct types of advantages. The first type consists of managerial and marketing economies of large-scale production. In a chain store, the unit of physical operation remains small but the large-scale management can effect economies in advertising, purchasing, etc. The second type consists of the elimination of certain wastes of competition. If many plants are united under one management, certain competitive costs of duplicate advertising and salesmen, cross freights, etc., may be avoided.

Combinations are also motivated by the desire not only to realize such desirable economies but also to achieve monopolistic power to limit production and thus obtain monopolistic profits. Experience, however, has taught many combinations, obviously so motivated, not to exploit their monopolistic power completely, to crush competitors or to extort maximum profits. The fear of potential competition, of the competition of substitute products and of government regulation restrains in some measure the unmodified exercise of monopoly power.

Combinations, if based on sound economic considerations, may tend to increase efficiency, but the benefits are often not distributed to the public in the form of lower prices or to the employees in the form of higher wages. In fact, increased profits, if realized, often are not passed on even to the shareholders. Not infrequently, these are diverted to promoters or a controlling managerial group.

Monopolistic combinations, further, by the protection of relatively inefficient members from outside competition, by the suppression or delayed introduction of new inventions and similar policies, may often obstruct general industrial progress.

Some indication of the extent of the combination movement in Canada, was given in the previous chapter and discussed in its financial aspects. It is necessary to supplement this with a brief discussion of the extent to which it and other forces have led to the development of monopoly.

3. MONOPOLY.

The tendency toward monopoly which has marked the development of every industrial country in the world in recent years is evidenced in the record of consolidations in Canadian industry, as outlined in the preceding chapter. In few industries in Canada, outside of certain public utilities, has this development reached the stage of absolute monopoly, that is, complete control by any one company of the production or distribution of certain commodities and services. The more important are explosives, nickel and certain heavy chemical lines.

Monopoly, however, considered as any form of industrial organization with sufficient control over the supply of a commodity to enable the organization to modify the price to its own advantage, has made greater headway. We have not attempted to measure the extent of the existence in Canada of this type of monopoly. Possibly it would not be fair to do so from the industries we have investigated because in many cases they are those concerning which there have been most frequent complaints of monopolistic, or trade abuses. The forty leading industries, as determined by the Bureau of Statistics include, it is true, a number characterized by large units of control or operation. Very few of these, however, may be considered to be dominated by a single monopolistic concern in a considerable area; others are free from such domination, or are characterized by many small firms as well as various larger units.

In industries where there is monopolistic domination, a large measure of control may rest with a single concern, in spite of the fact that it is not alone in the field. Examples are the cement, tobacco, meat packing, petroleum products, and fruit and vegetable canning industries. In others, two or three concerns may dominate the market. In the latter case, agreements among a few producers may cause the public to suffer many of the disadvantages of monopoly with few of the potential economic advantages of centralized control or operation. At times, as in the electrical manufacturing and tin plate industries, these agreements are international in character, operating through control and exchange of patents and through agreements regarding markets. Under such international cartels any control which the State might wish to exercise through reduction or removal of customs duty would be of little or no effect; foreign goods could be prevented from entering the market to any extent, duty or no duty.

Another type of monopolistic control, usually comprising a larger number of producers or traders and representing all or nearly all the members of an industry, is exemplified by the combination of the eight manufacturers of rubber footwear in Canada. This method of control is not that of monopoly, as the separate firms operating under a common agreed policy may readily return or be required to return to independent operation. The methods of such combinations vary: control of price is usually secured by a simple price-fixing agreement, enforced by trade association supervision and a schedule of penalties for infringement. In some industries this is the only method used. In others the price agreement may be supplemented by a production or sales quota arrangement, by provisions for allocating customers and sales territories, or by eliminating competing plants by joint purchase or by a price war. When such a combination is further protected by the customs tariff, its control is exceptionally complete. In one case investigated under the Combines Investigation Act, the fruit basket industry, practically all of these elements were present. The price agreement was supported in another instance, in the plumbing contracting industry, by

undertakings secured from labour unions and from manufacturers and wholesale houses that they would withhold labour and material from non-members of the contractors' organization, the Amalgamated Builders Council. The method of including all competing firms in a merger or consolidation is less frequently resorted to for the purpose of controlling price. The establishment of a joint selling agency, such as has been attempted in the canning industry, can be of great benefit to its principals through economies in marketing costs, but if its control of supply is extensive it contains grave possibilities of detriment to primary producers and consumers. Where control of supply is at all complete and substitute products are few or unsatisfactory, price agreements may not be necessary to effect price enhancement: the result may be secured by restriction of output or by quota provisions, or by a lowering of the quality of the article.

Potential competition and the competition of substitute commodities are not always effective in protecting the public against monopoly or monopolistic combination. Inter-industrial agreements can nullify the effect of the latter, and newcomers to an industry can be quickly assimilated, the ultimate effect being the development of excess capacity and consequent increase of production costs.

Federal control of monopolies and monopolistic combinations in Canada is provided for by the Combines Investigation Act of 1923 and Section 498 of the Criminal Code. The latter condemns the undue lessening of competition, and action under it has been taken against monopolistic associations rather than against monopolies. The Combines Investigation Act can be used against single company monopolies as well as against combinations if they have operated or are likely to operate against the public interest. It authorizes investigation, publicity and, if necessary, punishment. The penalties include fine or imprisonment, reduction or removal of duties and revocation of patents. The effect of the statute in restraining detrimental monopolies and combines cannot, however, be measured by the number of investigations, published reports or prosecutions.

Most of the investigations under the Combines Investigation Act are made as the result of complaints from the public—usually from primary producers, competitors, or consumers. Complaints against single firm monopolies have been few. Public concern has been voiced chiefly against agreements of competitors to fix and enhance prices, and investigations made under the Act have related more frequently to this type of combination than to monopoly. Some of the methods of joint control of price which have been reported against and which the courts have subsequently condemned have been indicated above. The only finding which was reversed by the courts related to a monopoly, the Famous Players Corporation, in the motion picture industry. Findings supporting the charge of monopolistic practices or agreements were reported also in other cases, including Western fruit, radio tubes, and British anthracite coal, though, in the latter, agreements to lessen the competition of other products figured largely in the result. No special measures however have been taken under the Combines Investigation Act for the supervision and control of corporations which have become effective monopolies. While removal of monopoly powers may be the appropriate remedy in most cases there may be instances where regulative measures would be a desirable addition to the present method of investigation, publicity and penalty. We will return to this matter in more detail in Chapter IX.

With this general introduction, we now review in very brief form the industries which we investigated, omitting those phases of the subject which deal with the primary producer and the wage earner, as they are considered specifically in Chapters V and VI.

The treatment we give the various industries is not identical because the nature of the investigations varied in almost every case. Certain of them

were conducted by auditors and are based on careful and detailed examination of the company's records. Others were conducted by auditors through questionnaires, and analysis of the returns. Still others are merely the result of oral evidence received by us from witnesses, supplemented by statistical and other written material as requested. It will be obvious therefore that there can be no uniform treatment when the nature and procedure of investigation varied so greatly.

Our survey will be in the following order: Tobacco manufacturing; meat packing; agricultural implements; canning; rubber footwear and tires; fertilizer; textiles; milling and baking; furniture.

2. THE TOBACCO INDUSTRY

1. GENERAL CONDITIONS IN THE INDUSTRY.

The tobacco industry provides a good example of an industry which is dominated by a single unit, in this case the Imperial Tobacco Company of Canada, Limited, which accounts for at least 70 per cent of the production. The competition within the industry is, therefore, obviously monopolistic in type, a fact which has had interesting results for the producer, the employee, the competitor, the consumer and the company itself. The producer and labour aspect of the question we leave for a subsequent chapter, but the remaining questions we will discuss briefly here. In such discussion, special attention will have to be given the profits, policies and general position of this dominating unit.

Since the end of the Great War, the tobacco industry in Canada has rapidly increased in importance, with leaf production rising from 13 million pounds in 1921 to 45 million in 1933. During the same period, exports of leaf tobacco rose from 200 thousand pounds to nearly 14 million. In 1933, there were 127 firms engaged in the tobacco manufacturing industry with a capital invested in fixed and current assets of \$50,000,000. In that year, production of cigarettes amounted to over 4,000 million, cigars to 112 million, and other forms of tobacco to 24 million pounds. The total factory value of these amounted to over \$64,000,000, of which \$27,000,000 represented excise duties paid on these products. Thus the importance of the industry is manifest.

During the past few years there has been a considerable change in the consumption of the various tobacco products in Canada. Cigarettes decreased until 1932 when the lowering of the excise duties caused an increase. Cut tobacco decreased 5 million pounds in 1929 and has remained constant at the lower level since then. Cigars dropped considerably in 1933. On the whole it is reasonable to assume that there has been little, if any, decline in the per capita consumption of tobacco in all its forms.

The principal outlet for Canadian grown tobacco is in the domestic market, which consumes about 34 million pounds of leaf annually, or 65 per cent of total consumption. In this market, the producer enjoys the protection offered by an excise duty of 40 cents per pound on unstemmed and of 60 cents per pound on stemmed tobacco of external origin. As a result of this protection and the growth of Canadian production, the use of imported leaf tobacco has steadily declined in recent years.

In consequence of high customs duties on manufactured tobaccos the Canadian manufacturer has very little competition from the imported product, most of which comes from the United States and the United Kingdom. Imports, never large, have shown a marked tendency to drop still further in recent years. Between 1928 and 1933, importations of cut tobacco fell from 326,912 to 122,408 pounds, of cigars from 22,321 to 5,188 pounds, and of cigarettes from 62,500 in 1929 to 8,575 pounds in 1933.

Imports of unmanufactured tobacco have dropped from nearly 18 million pounds in 1928 to a little over 8·5 millions in 1934, with an even heavier drop in imports of manufactured tobacco products. At present, the bulk of the imports consist of bright flue-cured tobacco from the United States. Between 1922 and 1930, from 40 to 50 per cent of the raw leaf used was imported, but in 1933, this figure had fallen to 32 per cent. Stocks of foreign leaf held in bond in Canada in June, 1934, amounted to less than 5 million pounds, as compared to over 11·5 million pounds in June, 1929. This drop in imports has naturally been accompanied by an increased use of domestic tobacco. Evidence was given to the effect that this development is continuing and that eventually it was hoped to attain an even higher proportion of the domestic leaf in tobacco manufactured in this country.

The export market is becoming increasingly important in the Canadian tobacco situation, with the United Kingdom the chief, indeed almost the sole, export outlet. In 1932, more than 25 per cent of the Ontario flue-cured crop was shipped to that market. This development which, evidence indicates, should increase in importance is due in large part to a preference received in Empire markets. This preference was first instituted in 1919, subsequently increased in 1925, and finally fixed at 2 s 0½ d. per pound for a period of ten years in 1932. Under the preference, Empire tobaccos cleared from bond for home consumption in the United Kingdom, have risen from 28·5 million pounds in 1929 to 40·8 million in 1933. Canadian figures increased from 4·2 million pounds in 1929 to 8·9 millions in 1933.

Despite continued growth, however, certain conditions have developed in the industry which indicate anything but a healthy state. The position of the grower has been far from satisfactory, with prices for the raw leaf subject to fluctuations in a market in which, up till 1934, the trend had been generally downward. On the other hand, one highly organized company has been in the position to manipulate raw material costs and to sell its product in a sheltered market at prices showing but little variation from year to year. With this increasing domination, the smaller companies, particularly during recent years, have experienced great difficulty in securing and holding an outlet for their goods and in maintaining financial solvency.

In short, there is a decided lack of balance in the industry. While industrial profits as a whole have been consistently high, conditions have been such that they have been acquired almost entirely by one or two large manufactures. In contrast, the growers, dealers, a majority of the manufacturers, the Wholesaler and the retailer have been faced with meagre profits or in some cases, absolute losses.

Before considering the operations of the Imperial Tobacco Company, some mention should be made of the second largest concern, the W. C. Macdonald Inc. This company, with a capital of \$2,500,000, was incorporated in 1930 to take over the business of a former company of the same name. At the time of reorganization, the old company had undivided profits amounting to approximately \$4,000,000, of which \$2,500,000 was earmarked for withdrawal by the President and subsequently was drawn by him at the rate of \$5,000 per week. At the end of 1933 the undivided profits of the new company amounted to nearly \$600,000 and the capital account stood at \$750,000.

2. THE IMPERIAL TOBACCO COMPANY.

a. Capital Structure.

The Imperial Tobacco Company with its various subsidiaries is by far the largest factor in the Canadian tobacco industry, and by virtue of its size alone, dominates all branches of the trade. The capital of the present company

stands at \$55,285,160, a controlling interest in which is held by the British-American Tobacco Company Limited, an English corporation with large holding in the United States and elsewhere.

The company had its beginning in 1895 when the American Tobacco Company, Limited, was incorporated with an authorized capital of \$1,000,000. In 1908, it was succeeded by Imperial Tobacco Company Limited, having an authorized capital of \$11,000,000. Four years later, the present Imperial Tobacco Company of Canada, Limited, was formed with an authorized capital of nearly \$64,000,000. Upon the formation of this company, the preference shares of the 1908 company were exchanged for an equal number of preference shares in the new company while ordinary shares were exchanged on the basis of five of the new for each one of the old. Following these exchanges the par value of the capital of the new company totalled \$31,002,500.

The total issued capital of this company now stands at \$55,285,160, of which preference shares represent \$8,030,000, and common shares the balance, or \$47,255,160. The consideration received for this capital includes \$14,162,727 in cash, profits of \$7,585,160 which were capitalized in 1928 through the distribution of a 20 per cent common stock dividend, and, for the balance, various assets including shares in other companies, trade marks, goodwill, etc.

b. Profits.

The profits of the company and its subsidiaries have been large, as have the dividend distributions to shareholders. During the five years 1929 to 1933 cash bonuses to officials amounted to \$1,861,923 and dividends paid totalled \$26,874,300. The undivided profits, represented by the surplus account, stand at present at \$11,886,573, made up as follows:—

Imperial Tobacco Company of Canada, Ltd.....	\$8,138,486 ¹
Tuckett Tobacco Company, Ltd.....	2,065,574
National Tobacco Company, Ltd.....	879,695
B. Houde Company, Limited.....	335,383
United Cigar Stores, Ltd.....	325,377
Liggett & Myers Tobacco of Canada.....	142,054

During the last five years the company's net profits totalled \$36,225,253 after taking care of every form of taxation, making liberal depreciation allowances and providing for generous reserves as outlined below;

- (1) \$3,461,203—Depreciation Reserve against cost of real estate, buildings, plant machinery, furniture and fittings, valued at the cost of \$4,282,000.
- (2) \$803,000 in General Reserve.
- (3) \$595,418 deducted from investments in various subsidiary companies.

In addition, in the Imperial Sales Company, there is a reserve of \$229,500, set up against real estate, buildings, plant machinery, automobiles, furniture and fittings valued at the cost of \$815,074. Further, in the Imperial Leaf Company, a reserve of \$263,914 has been set up against real estate, etc., valued at \$988,000. The reserves in these subsidiaries have been accumulated in two years and similar reserves have been set up in the other subsidiary companies. All told, reserves in the parent and subsidiary companies come to over \$5,353,000. The exorbitant profits that this company has been able to make, even in a period of general economic distress, are proof that a dominating position can be used to avoid the necessity of sharing in that distress.

c. Policy of the Company.

Size alone is not the only indication of the dominating position of the Imperial Tobacco Company in this industry; the policy of the company towards the producer, the competitor, and the retailer provides even better

(1) Including Imperial Sales Company and Imperial Leaf Company.

evidence. The methods adopted to maintain this position are twofold; first, maintenance of volume by utilizing its superior strength in the competitive struggle; secondly, by maintaining prices on this volume through a system of resale prices for its products. We shall deal with this latter method first.

The Imperial Tobacco Company in attempting to put into effect a system of resale price maintenance is adopting a policy which in principle meets with the general approval of the trade, and in the operation of which they have received co-operation from other manufacturers, jobbers and retailers. Their method of enforcement is simple. The Imperial Tobacco Company merely removes from its lists dealers and jobbers who cut prices, either of their own or competitors' products, with the jobbers' associations assisting by bringing the names of offenders to the notice of the company. "Cutting off the list" in this case is no mere gesture. When a company which produces nearly three-quarters of the supply refuses to sell a wholesaler or retailer, the effect on that dealer is too obvious to need comment.

A variation of this policy, adopted last summer by the Imperial Tobacco Company, provides even better evidence of the monopolistic position of this company in the industry. The company at that time asked its dealers to enter into a price-maintenance agreement through acceptance of a written contract. This contract was of such a one-sided nature as to warrant some surprise, in view of all the circumstances, at the company's efforts to put it into effect. In signing it, and it must be remembered refusal meant being "cut off" the Imperial list, the dealer undertook to maintain prices not only for Imperial products but for those of other manufacturers as well. The one-sided nature of its obligations, which are practically all on the side of the dealer, and its extension to the products of all manufacturers, provides a drastic demonstration of the domination of this particular company over the whole industry.

The other aspect of Imperial Tobacco Company policy, namely the maintenance of its sales volume, also involves practices which have caused considerable controversy and on which we received much evidence. There are various methods by which this firm can exercise control over the distribution of its products. Twenty-five per cent of its business is done directly with the retail trade, with these direct buyers securing a 10 per cent price advantage over those who buy indirectly through jobbers. Evidence was given to the effect that the qualifications for entrance to the direct list were merchandising ability, size of community served, class of establishment maintained, advertising possibilities, and financial responsibility. Representatives of the company denied that one condition for getting on the direct list was to give Imperial products prominence in display over the goods of other manufacturers. The fact remains, however, that when a company, in such a dominating position as this one is, adopts such a policy of preferential selling, it constitutes a weapon which can easily be used to the detriment and damage of smaller competitors as well as independent retailers. That it was used as such was alleged by witness appearing before us, and denied by the company.

We also received many complaints from the smaller manufacturers and dealers in regard to the practices of the promotional and sales force of the Imperial Tobacco Company. It was claimed that retailers were intimidated with a view to blocking the sales of competitive products. Advertising material of the smaller manufacturers was spoiled, obscured or destroyed. One small cigar manufacturer reported an attempt to force purchase of his business with the alternative of opening a competing factory in his district. Jobbers were said to have been compelled to push the distribution of Imperial Tobacco Company products and hinder those of the independent manufacturers. Sales to dealers of certain popular brands of the Imperial Tobacco Company were allegedly conditioned on the accompanying purchase of less popular merchandise. The general contentions, in fact, was that the Imperial Tobacco Company used

oppressive tactics and unethical methods to promote the sales of its products in every part of the country. Officials of this company claimed ignorance of these practices, and denied that the company engaged in them. They also cited isolated instances of unfair action by their competitors.

While not accepting as valid all the allegations launched against this company, we feel, nevertheless, that at times, in its efforts to press the sale of its products, it has used its power in a way that is to be condemned and has indulged in unfair competitive practices. At the same time we cannot forbear to note a remark made in evidence by the President of one of its competitors, to the effect that human nature and business being what they are, it was difficult to avoid such practices, and that he might be guilty of them himself, if only his company were as strong as the Imperial Tobacco Company.

There remains to be discussed whether the concentration of power in this industry in the hands of one company has benefited the consumer. We will examine later what it has done to the producer and the tobacco factory worker.

Evidence on a point such as this cannot be conclusive, but we do know that the unprecedented levels to which raw tobacco has fallen in recent years has not resulted in any noticeably decrease of prices of the finished product by the manufacturer, with the exception of cut tobacco, in which there has been some slight reduction.

It is true that in 1932 there was a reduction in the price of cigarettes from 25 to 20 cents per package of twenty. Four cents of this reduction, however, is accounted for by the lowering of the excise tax from \$6.00 to \$4.00 per 1,000 cigarettes. The other one cent was absorbed almost entirely by the jobber, retailer, and the reduction on sales tax. The Imperial Tobacco Company's contribution to this consideration for the consumer amounted to one cent per 1,000 cigarettes. It did not appreciably effect subsequent profits.

We examine now a second industry, wherein one company exercises a dominating influence: meat packing.

3. THE MEAT PACKING INDUSTRY

1. GENERAL CONDITIONS IN THE INDUSTRY.

Our inquiry into slaughtering and meat packing companies was carried on through our investigators, who made a detailed examination of the records of the larger companies in the field. Considerable evidence was also received as to the policies of the large packers in the purchase of live stock, but this phase of our inquiry is discussed fully in the chapter dealing with the primary producer. We consider, in this section, the industry generally, its history during the depression, and the effect of its competitive practices and merchandising policies.

Meat packing is one of the most important of Canadian industries. In 1932, the last year for which complete statistics are available, it ranked third in point of gross value of output and first in order of cost value of materials used. In 1933, there were 135 establishments, representing a capital investment of over fifty-four million dollars, which employed more than nine thousand persons and paid over ten million dollars in salaries and wages.

The industry is concentrated in the larger centres of population, with Toronto and Montreal together handling over half of the total product. Substantial volume of output is also found in Winnipeg, St. Boniface, Edmonton and Vancouver. Among the Provinces, Ontario has the largest share of the volume, accounting in 1933 for 48 per cent of the capital, 40 per cent of the employment,

and 46 per cent of the total value of products sold. The Western Provinces contain important units and, in 1933, accounted for 34 per cent of the total value of products sold.

The reports of the Dominion Bureau of Statistics show packing to be an industry principally of large-scale production. Out of the 135 establishments referred to, 24 plants, many under the same ownership, together accounted for 84.7 per cent of the value of total output. The remaining 15.3 per cent, divided among 111 plants, is relatively unimportant.

For many years, there has been in the packing industry a definite trend toward concentration. The history of the past twenty-five years is little more than a succession of mergers and consolidations, resulting in a steadily decreasing number of medium-sized plants, and an increasing dominance by the consolidated units. The resulting situation is illustrated by the fact that, in 1933, out of a total production for the industry of \$92,000,000, the two largest companies together accounted for nearly \$79,000,000, or 85 per cent. Canada Packers Limited, the largest company in the field, is a consolidation of four large packing concerns which came together in 1927. Its sales in 1933 were over \$54,000,000, or 59 per cent of the total for the industry. The Swift Canadian Company, Limited, had, in the same year, sales of over \$24,000,000, or 26 per cent of the total.

It may be fairly stated, therefore, that these two companies dominate the industry. Their buying and marketing policies affect their smaller competitors and largely determine the operating methods of the industry. A proper appreciation by the managements of these companies of their responsibilities to producers and consumers is manifestly of supreme importance. The disparity in bargaining power between the farmer and these large packers is obvious and is referred to in a later chapter; to a large extent, also, the consumer is at a bargaining disadvantage and is in danger of exploitation as uncontrolled monopoly develops.

As a result of the method of record keeping of the larger companies, a method peculiar to this industry and followed by large packers in the United States, our investigators were able to obtain only limited information as to the detailed operating results. The Dominion Bureau's statistics of the industry as a whole, however, serve to illustrate the major trends and, in view of the fact that the two largest companies account for nearly 85 per cent of the total volume, these statistics should reflect with reasonable accuracy the operating ratios of such companies.

2. THE INDUSTRY AND THE DEPRESSION.

In common with all Canadian industries, the general business depression has affected the packing business, but not in the same manner, nor to the same extent, as many others. From 1929 to 1932 the physical volume of production, measured by the number of pounds of meat produced declined 7 per cent, as compared with a reduction of 33.4 per cent in the volume of physical production of all manufacturing industries. In spite, however, of this relatively small reduction in volume, the value of the output of packing companies fell by 50.9 per cent, compared with an average of 47.2 per cent for all industries.

The selling value of the product consists of (1) the cost of materials, and (2) the value added by the packer. As over 90 per cent of the cost of materials represents payments for animals slaughtered, this index may be taken to reflect essentially the return to the primary producer. The value added by manufacture, or by the packer, represents his labour costs, overhead expenses and profits. The following table shows the percentage decreases of the principal statistics, between 1929 and 1932, in the packing industry and in all Canadian industries:

DECREASES 1929-1932

	Meat Packing	All Industries
	Per cent	Per cent
Value of Production.....	50.9	47.2
Volume of Production.....	7.0	33.4
Cost of Materials.....	56.8	53.0
Value added by Manufacture.....	24.5	41.4

In 1929, sales of the packing industry in Canada totalled \$186,000,000 and the cost of materials was \$152,000,000. In 1932, with a decrease in physical volume of only 7 per cent, sales had fallen to \$91,000,000 and cost of materials to \$66,000,000. Thus, while sales fell by 50.9 per cent and the return to the primary producer fell by 56.8 per cent, the return to the packing company declined only 24.5 per cent. This indicates clearly that the live stock producers suffered much more severely than the packing companies.

This situation is not paralleled, however, in the combined results of all industries, where the value of production has decreased 47.2 per cent and the return (costs and profits) to the manufacturer 41.4 per cent. The ratios of the decline in the value added by manufacture to the declines in the total value of production and in the cost of materials were, in all industries, respectively, 87.7 per cent and 78.1 per cent; in the packing industry these ratios were 48.1 per cent and 43.1 per cent, respectively.

From the foregoing, it seems clear that the packing industry has been better able to protect its margins than has the primary producer, or certain other industries. The corollary is found in the retention by the packer of an increasing proportion of the average sales dollar. In 1929, for every dollar's worth of meat sold, 81.7 cents went to the suppliers of materials, and the value added by manufacture amounted to 18.3 cents; in 1933, however, although the consumer's dollar purchased approximately 80 per cent more meat than in 1929, out of each dollar the producer received only 76.3 cents (or 5.4 cents less than in 1929), and the packer 23.7 cents.

The manner in which these results have been achieved has a direct relation to the monopolistic character of the structure of the industry. The dominant position of the two large companies, with extensive storage facilities and control of a great proportion of the slaughtering equipment in the country, has undoubtedly secured for them some measure of control over both live stock prices and selling prices for their product. While there is no direct evidence of a combination between these companies, we are not persuaded that prices have been subject to the same fluctuations as might be expected in a more generally competitive field.

The Swift Canadian Company suffered operating losses in two out of the last five years, but Canada Packers Limited, with approximately double the volume of the Swift Company, was able to extract a charge sufficient to cover all its costs and a profit in each year—and this in the face of a severe decline in prices and purchasing power generally.

Further reference will be made to the profits of these companies, but we should here consider the view expressed by the President of Canada Packers Limited, of the relations of the industry to producers and consumers. This witness summed up his estimate of the situation as follows:

"The total live stock is sold for the total sum, whatever it is; from that sum is deducted the packer's expense and the packer's profit and the farmer gets the balance."

The witness further admitted that the packer's charges should be as low as possible and that his profit should be a reasonable one. The statement quoted, if it means what it appears to, implies the occupancy by the processor of a privileged position where, in return for the performance of a necessary function, a return on the capital employed should be assured. It suggests, in fact, and evidence supports the suggestion, that many of the vital characteristics of monopoly are present. We cannot, therefore, escape the conclusion that the continued prosperity of Canada Packers, Limited, during the depression bears some relation to the enjoyment of relative freedom from competition. That the inadequacy of such competition has operated to the detriment of the primary producer seems evident.

3. PROFITS OF THE INDUSTRY.

The earnings of the five packing companies (Canada Packers, Swift Canadian Company, Burns & Co., Wilsil, Limited, and Gainers, Limited), reviewed in evidence represent for the years 1929 to 1933 an average return of but 3.3 per cent per annum on the invested capital. In the years 1931 and 1932 the group showed a loss due to large operating deficits of the Swift Canadian Company, Limited, and Burns & Co., Ltd. The earnings of the group should, therefore, be considered in conjunction with the profits of its largest member, Canada Packers, Limited. The following table shows the percentages of earnings on invested capital for each of the five years:

Year	All five Companies	Canada Packers Limited
	Per cent	Per cent
1929.....	9.9	16.0
1930.....	3.4	7.5
1931.....	1.7*	3.9
1932.....	1.2*	6.3
1933.....	6.2	12.3
Average.....	3.3	8.9

* Loss.

The above earnings ratios are based on the profits shown by the companies, adjusted in Canada Packers, Limited, for certain extraneous charges. The evidence, however, indicates that certain operating charges have been excessive and that the true profits of Canada Packers, Limited, are probably greater than disclosed by the records.

Our investigators reported that for the five years ended 29th March, 1934, provision for depreciation and repairs by Canada Packers, Limited, amounted to over \$6,100,000, or nearly 52 per cent of the average depreciable value of the fixed assets. On an average depreciable value of approximately \$11,830,000 the annual charges were as follows:

	Repair Charges	Depreciation	Total
	\$	\$	\$
Year ended 27 March, 1930.....	612,158	748,373	1,360,531
26 " 1931.....	465,483	766,950	1,232,433
31 " 1932.....	463,839	777,821	1,241,660
30 " 1933.....	350,165	748,997	1,099,162
29 " 1934.....	446,874	753,629	1,200,503
Total.....	2,338,519	3,795,770	6,134,289

The amount of these charges considered in relation to the depreciable value of \$11,830,000 indicates the rapid rate at which the fixed assets are being written off.

Profits have also been affected by writing off against operations over \$500,000 of the book value of investments. The market value of investments at 29th March, 1934, exceeded their net book value by over \$100,000. Realized profits of \$191,000 on investment transactions have not been shown as profits, but carried forward as a reserve. New inventory reserves of \$180,000 have been created out of earnings during the period. These and other items not satisfactorily explained lead us to the conclusion that the profits of Canada Packers, Limited have been substantially more than shown. While the Company's conservatism may be sound business policy, we cannot overlook these facts in considering its relative position in the industry.

4. COMPETITIVE CONDITIONS IN THE INDUSTRY.

The evidence taken by us indicated that selling competition between the packing companies was keenest for the business of the small merchant and was at times of a predatory nature. A number of cases were found where on one day the same goods were offered by Canada Packers, Limited to different merchants in the same town at different prices. The spreads between the high and low prices were in some cases as much as three cents a pound, and when related to the general profit margin of one-half cent, or less, per pound, are illustrative of extreme price discrimination, practiced apparently to obtain business from a smaller competitor. In dealing with the more important individual accounts, however, there was little evidence as to such competition between the large packers. For instance, on the formation of a voluntary chain by independent grocers and butchers in Nova Scotia, it was soon found that all the packers were quoting the same prices.

There is considerable spread between prices charged by the large packers to large and small retailers. The advantage of the large buyer consists not only in special price and quantity discounts, but arises also through special allowances for advertising and demonstrating. Department and chain stores are the customers to whom such concessions are granted, and there is no doubt that the favourable terms extended the largest buyers are largely responsible for the fact that the small independent retail butcher is frequently under-sold. The worst feature of this price discrimination is the secret nature of the concessions given, which prevents the small butcher knowing how great an advantage his large-scale competitor has through purchasing at lower prices from the common supplier, the packer.

In our chapter on distribution we refer in detail to discriminatory discounts, unearned advertising allowances and salesmen-demonstrators. These are all used as instruments of unfair competition and, as such, are to be condemned. Reference is also made in the chapter on distribution to loss leaders, which find a place in the retailing of meat products. Examples of specific loss leaders on meats, referred to in the evidence, were as follows:

Article	Cost to Independent Butcher	Loss Leader Retail Price
	cents	cents
Shoulders of pork.....	·11	·08
Spare ribs.....	·24	·17
No. 1 Picnic Hams.....	·12	·10
Lard.....	·12	·10

Another question which has caused some controversy is the competitive justification of the packers venturing into fields foreign to the slaughtering and packing of meats. A brief description of the organization of Canada Packers, Limited, will illustrate its varied business activities.

Canada Packers, Limited, is a holding company owning the following companies: Harris Abattoirs, Limited, Harris Abattoirs Western, Limited, Gunn's, Limited, Gunn, Langlois & Co., Ltd., Canadian Packing Company Limited, William Davies Company, Inc., William Davies Company, Limited, and Ontario Fertilizer Company, Limited. The operations of all these companies are, however, consolidated under one management, though varied in character. Six main plants are operated in the larger cities and wholesale selling branches are maintained at some twenty-nine points in Canada and Newfoundland. Seven creameries are operated at different points in Canada; cold storage plants are located at Toronto and Montreal, and a wool-pulling plant at Toronto. In the canning field the company has one subsidiary and two other plants in Ontario. Fertilizer plants are operated at Toronto, Montreal and Saint John, N.B.

In connection with the creameries, evidence was submitted that the competition of this company was having a disastrous effect on the business of independent creameries. The company's creameries in 1933 were shown to have suffered a loss of \$38,000, but the hope was expressed by the president that the creameries could be made profitable. It is evident that this company's presence in the creamery business, which is more or less accidental, has had a disturbing effect upon the regularly established creamery companies. The evidence indicates also that its creamery products were at times the subject of loss leader offerings by chain stores.

As to canning, the evidence indicates that Canada Packers, Limited, entered this business to save freight on railroad shipments. Regular car-routes are operated for meat products and, by filling up these cars with canned goods, it was possible to effect a considerable saving in freight. The canning departments, however, in 1933 operated at a loss of some \$50,000, in spite of such savings. Quite apart from the methods employed in purchasing materials for canning, or in merchandising the product in competition with the standard canning companies, the effect of this Company's competition on the wholesale trade is undoubtedly disturbing.

We question the justification for the participation of a meat packing company in the creamery and canning fields and recall that a similar excursion by United States packing houses into other food products fields was checked by legislation. In the case of Canada Packers, Limited, the operation of creamery and canning branches at a loss, necessitates a greater spread on its regular meat products business, in order to earn a satisfactory return on the capital invested. Having regard to the dominant position of this company in the Canadian market and the fact that it is able to exercise at least some influence on prices, it seems clear that, in the long run, the losses from unprofitable sidelines are paid either by the producer, or the consumer, or both.

One other reference was made in evidence to activities of this company detrimental to producers in unrelated fields. It was stated that, in order to promote the sale of fertilizers, the company acted as a forwarding agent for produce including onions, potatoes and grapes, and landed such produce in the larger markets at less than the current price. While the actual producers of the fruit and vegetables so handled did not suffer directly, this policy had a depressing effect upon the current prices in the produce markets and unnecessarily complicated the sale of fertilizer.

Summarizing, the packing industry in Canada, which is engaged in a public service of national importance, presents an illustration both of large-scale production and monopolistic concentration. The two largest packing companies in the United States, Swift and Company and Armour and Company,

do not together account for as high a proportion of the packing business in that country, as Canada Packers, Ltd. alone accounts for in Canada. This dominating position of the company emphasizes the natural disparity in bargaining power between the packer and the primary producer and facilitates unfair competition in the distribution of packing house products by encouraging price discrimination and other uneconomic competitive practices. One further result of the present set-up of the industry is that during a trying period of economic readjustment the dominating packer has been able substantially to protect his profit margin, while other branches of the industry, more especially the live stock producer, have had to bear a disproportionate share of the burden of depression.

4. THE AGRICULTURAL IMPLEMENT INDUSTRY

1. GENERAL CONDITIONS IN THE INDUSTRY

In conducting our inquiry into the Agricultural Implement Industry our investigators were instructed to proceed by questionnaire, followed by visits to the larger companies and discussions with their officials. Accordingly 59 questionnaires were sent out to manufacturers and others engaged in the industry, and complete replies were received from 24 companies, which comprised all those, a knowledge of whose operations was regarded as essential for our purposes.

Over a period of years, actual manufacturing conditions in this industry have changed less than in many others. Except in the case of tractors which have been subject to the same improvements as motor cars, the majority of farm implements in use to-day were in use, in somewhat similar form, in the years preceding the War. The only radical developments of the last two decades have been in regard to combines and other large-scale machines and in the gradual transition from animal to mechanical power.

Manufacturing technique in the production of agricultural implements, even prior to the War, had reached a high degree of efficiency and consequently there has not been the same room for reduction in factory costs, through large-scale production, elimination of the man for the machine, etc., as in many other lines of manufacturing. Technical improvements have been continual, but these have been more in the nature of betterment in appearance, in the size of machines, and in strength, quality, and durability of materials, than in structural design of the machines themselves.

The Industry in Canada is very largely in the hands of four large manufacturing companies, two of which are in the relation to each other of parent and subsidiary. These four are, Massey-Harris Co., Ltd., International Harvester Co. of Canada, Ltd., Cockshutt Plow Co., Ltd. and Frost and Wood Co., Ltd. The sales in Canada during the five years 1929 to 1933 of these four companies amounted to approximately 75 per cent of all sales of agricultural implements. An additional 17 per cent was represented by the sales of Canadian subsidiaries which imported the products of their American parent companies.

Other groups which were also engaged in the industry were a number of relatively small manufacturing companies; certain companies which, while not specializing in agricultural implements, included in their lines one or more products which were sold to farmers; certain American companies which, while having no factories in Canada, sold their products in Canada through branches; three companies selling agricultural implements by mail order; and jobbers, dealers, and wholesalers, who purchased the products of smaller manufacturers or imported from other countries. Thus it will be seen that the picture of

the industry is substantially the picture of the four large manufacturing companies, with which this section of the Report will therefore deal almost exclusively.

Virtually the entire Canadian production is centred in the province of Ontario, the large companies having plants in Toronto, Hamilton, Brantford, and Smith's Falls, and the smaller manufacturing companies being located chiefly in smaller cities and towns within the province.

Total shareholders' capital invested in the Industry, by the four large companies, was \$62,000,000 in 1927, \$92,000,000 in 1930, and \$61,000,000 in 1933. The investment in the 11 smaller manufacturing companies was \$4,800,000 in 1929 and \$4,000,000 in 1933. This increase in shareholders' equity in the period 1927-1929 was to a considerable extent accounted for by profits from operations, and no evidence was produced that any of the companies investigated had been guilty of those abuses, arising out of mergers, reorganizations, etc., such as came to our notice in certain other industries.

In 1926, the selling value of total domestic production of agricultural implements amounted to some \$38,000,000. In 1929, it amounted to over \$40,000,000, from which figure it declined with extreme rapidity, until by 1932 it amounted to only \$5,500,000. Striking evidence of the much greater extent to which this industry suffered during the depression, in comparison with industry as a whole, is afforded by figures published by the Dominion Bureau of Statistics. These show that in 1926 the selling value of the factory production of all agricultural implements in Canada amounted to 1.18 per cent of total industrial production in Canada, while in 1932 it had dropped to 0.26 per cent. This particularly heavy decline is further illustrated by the fact that the domestic production of the four large companies in 1933 was only 19 per cent of the corresponding production in 1928.

In 1933 the four large companies employed 3,500 persons and paid salaries and wages totalling \$4,000,000, while 10 small manufacturing companies employed 392 persons, paying salaries and wages of \$370,000. This represents a reduction, since 1929, of 66.5 per cent in the average number of employees in the large companies, and of 44.6 per cent in the 10 small companies. Great as has been this reduction, it is relatively far less than the decline in total domestic production to which reference has already been made. Examination and comparison of actual hourly wage rates indicates that reductions have been far less drastic than in the majority of other industries. We will report more fully upon this in chapter v.

The domination of the four large companies in this industry also affords an example of the existence of what has been referred to as imperfect competition. Of the four large companies, one, International Harvester Company of Canada, Limited, is a wholly-owned subsidiary of the largest American organization in this industry, and its policy is therefore determined by the management of that organization. Massey-Harris Company, Limited, and Cockshutt Plow Company, Limited, the shares of which are both widely distributed, may also be said to be management-controlled. The fourth company, Frost and Wood Company, Limited, has for many years been virtually, and now is actually, a subsidiary of Cockshutt Plow Company, Limited. We, therefore, have a situation where the managements of three large companies dominate the industry in Canada. As a result of this situation, competition between them is "imperfect," rather than "simple." This is shown, even in the absence of direct agreement or affiliation, by the maintenance over a long period of years of substantial similarity in prices and practices. Due to the dominant position occupied by these companies for many years and the policies which they have adopted, no cut-throat competition has occurred in this industry either before or since the depression. We have seen in other industries how competition of that nature can lead to abuses and

unethical practices, and, while this industry and its employees may in this respect have been more fortunate than some others, it is probable that absence of simple competition has resulted in higher prices to farmers than would otherwise have obtained.

2. COSTS AND SELLING PRICES OF IMPLEMENTS.

Price reductions from the 1930 level were made in 1931, 1932 and 1933, while they were increased in 1934 by the discontinuance of a policy of offering substantial discounts which had been inaugurated in 1932 and 1933. The greatest reduction in price by any of the three major companies on their principal products was to a point 20 per cent below the 1930 level, while prices in 1934 were from 90 per cent to 96 per cent of those of 1930. Thus, the policy of the Big Three of the implement manufacturing industry since 1929 has been, in effect, to maintain prices and to adjust their production to sales at those prices; in other words, price inflexibility and production flexibility.

The result has been that the farmer, the industry's sole customer, whose income has been drastically reduced through the falling prices of primary products, and who has relatively little bargaining power, has been compelled to pay what he regards as high prices to a monopolistic manufacturing group for the essential tools of his trade, at a time when he could least afford it.

We obtained selling prices in 1913 of a number of machines which were comparable to machines produced to-day, and noted that, except in the case of a tractor, substantially higher prices were asked at the present time. Technical improvements attained since 1913, to which reference has already been made, are no doubt responsible for a portion of these increases. The following table presents a graphic picture of the increase in price to the consumer and in cost to the manufacturer:—

	International Harvester Company of Canada		Massey-Harris Company Limited	
	Average of 6 Imple- ments		Average of 9 Imple- ments	
	1913	1933	1913	1934
	\$	\$	\$	\$
Cash Price to Consumer (Regina).....	83.04	127.24	86.39	130.00
Agents' Commission.....	15.84	23.16	9.94	20.92
Freight.....	8.98	13.63	12.43	16.58
Material.....	22.41	39.78	25.54	42.08
Productive Labour.....	5.58	11.46	4.97	6.33
Other Factory Expense.....	6.42	38.84	7.63*	26.42*
Gross Profit before Selling Expenses, etc.....	23.81	0.37	25.88	17.67

* Includes figures for Factory Overhead and Administrative Expenses.

Criticism has been voiced before us that the manufacturer has not passed on to the farmer the reduced cost of his labour and materials, but that he has on the other hand endeavoured to recover from him the costs of carrying idle plant and other overhead resulting from reduced production. Overhead and direct labour costs of 26 implements produced by three manufacturers were in 1930 16.5 per cent of the cash paid by the farmer. They had risen to 44.5 per cent in 1932, the rise being caused by the fact that there were far fewer sales over which to spread an overhead which could not be reduced to keep pace with the decline in demand.

In 1930, total manufacturing costs of these three manufacturers were 50.7 per cent of the cash paid by farmers, leaving 49.3 per cent available for selling expenses, bad debts, collection and general expenses and agent's commission.

This was insufficient in the cases of each of the large companies to provide a net profit. Manufacturing costs in 1932 were 87·8 per cent of the cash paid by the farmer and, with other expenses, exceeded the price realized by the company, a gross loss of 17 per cent instead of a gross profit being the result.

The President of International Harvester Company of Canada stated to us that, in his belief, prices had been too low in the good times; that in this industry they should not fluctuate from year to year, depending upon operations, but should only be changed if, after a period of years, they were found to be too high or too low. It was further argued that the stability which would result from relatively fixed prices would be of benefit to both the farmer and the manufacturer. As a result of this stability of prices, substantial profits would be required in good years for the purpose of absorbing and carrying the losses of the lean years which were certain to follow.

3. THE QUESTION OF EXCESS CAPACITY.

In considering the manufacturing and merchandising situation in the industry, it was noted that both imports and exports of agricultural implements are an important feature, as the following table will show:—

—	Selling value of production at factories	Exports	Selling value of production available for Canada	Imports	Total available for Canada
	\$	\$	\$	\$	\$
1925.....	24,770,216	11,342,712	13,427,504	6,494,986	19,922,490
1926.....	38,269,214	13,628,341	24,640,873	13,336,650	37,977,523
1927.....	42,996,288	17,412,947	25,583,341	18,946,288	44,529,629
1928.....	41,199,841	15,643,381	25,556,460	29,636,449	55,192,909
1929.....	40,659,479	15,870,918	24,788,561	40,292,899	65,081,460
1930.....	26,902,139	18,396,688	8,505,451	30,075,453	38,580,904
1931.....	11,175,404	7,188,078	3,987,326	16,495,217	20,482,543
1932.....	5,510,078	2,484,965	3,025,113	3,315,542	6,340,655
	231,482,659	101,968,030	129,514,629	158,593,484	288,108,113
Average.....	28,935,332	12,746,004	16,189,328	19,824,186	36,013,514

The Massey-Harris Company is responsible for the major portion of the export trade in implements, its export sales and foreign business having amounted to between 60 per cent and 80 per cent of its total sales in the last seven years. On the other hand, International Harvester Company of Canada has imported from its parent company in the U.S.A. a substantial proportion of the goods which it has sold in Canada. We have noted, however, that since 1930 a much larger percentage of its output has been produced in Canada, its Canadian production having risen from approximately 50 per cent of its Canadian sales during the years 1924-1929, inclusive, to an average of approximately 80 per cent in the years 1931-1933.

It was submitted that the manufacturer of agricultural implements, whose only customer is the farmer, has great difficulty in estimating his probable sales. His difficulties, as compared to those encountered by ordinary business, are accentuated by the wide and unpredictable fluctuations and variations which occur, often in a very short time, in crop conditions and prices.

The table quoted above indicates clearly that from 1926-1929, which were the most profitable years for the industry, domestic production showed no substantial increase. In point of fact, the peak was reached in 1927. With exports during the four years remaining comparatively steady, the increased domestic demand was set by imports, which rose from \$13,000,000 to a peak of \$40,000,000. In the year 1929 the total value of products available for sale in

Canada were provided to the extent of over 60 per cent by importation. In fact, imports, having in 1929 for the first time equalled the domestic production, did not decline in the two subsequent years as drastically as domestic production, which they exceeded in both 1930 and 1931. The selling value of production shown in the table is, we understand, the value of production at factories converted to the prices that would be charged to branches. It is therefore considerably less than actual retail selling value of production. Inasmuch as sales in Canada of all agricultural implements, except tractors, for which the demand virtually ceased subsequent to 1930, averaged approximately \$42,000,000 per year for the four years 1927-1930, we have concluded that manufacturing facilities in Canada were ample to supply the demands of the Canadian markets in the years 1927-1930. Until recent years, however, export business was substantial and in order to fill it and the domestic market, very considerable importations were necessary. In view of this export business, therefore, it cannot be said that in this industry productive capacity was expanded in Canada during the years of profitable and increasing business to a point in excess of normal requirements.

4. PROFITS OF THE INDUSTRY.

Earnings of the four large companies showed profits in 1927, 1928 and 1929 totalling \$16,000,000, after eliminating the foreign business of the Massey-Harris Company, and an estimated amount for the expenses relative thereto. Losses have been incurred in each of the four years thereafter totalling \$11,000,000. In the case of 11 small manufacturing companies and of the Canadian branches of U. S. companies, net profits were made in 1929 and losses thereafter.

The expenses of the four large companies have increased from 17.5 per cent of net sales in 1928 to 52 per cent of net sales in 1933, which indicates extreme rigidity of expenses. This rigidity, however, is not quite as real as the percentages show, since they have been reduced from a high of \$10,000,000 in 1929 to a low of \$5,000,000 in 1933. It is nevertheless evident that expenses have not been reduced proportionately to the drop in sales.

Evidence shows that of the four large companies, two obtained a small return on investment over the ten-year period 1924-33 inclusive, the figures being 2.6 per cent and 1.0 per cent. The other two companies failed to earn a return and made losses of 2.6 per cent and 1.1 per cent. In considering these results, we enquired as to whether any of the capital had been placed upon their books without the receipt of adequate and proper consideration. No evidence of this was found, at least in the years under review. That there was no undue expansion of manufacturing facilities in the years of prosperity has already been shown and we therefore do not believe that the investment upon which the returns have been calculated is greater than was justified.

5. METHODS OF SALE AND DISTRIBUTION.

Farm implements are sold on a cash basis and on a credit or time basis, the policy of the large companies being substantially similar in this respect. The experience of one of the larger companies shows that in 1933 cash sales amounted to 60 per cent of all sales in Eastern Canada and 57 per cent of all sales in Western Canada, as compared with 44 per cent and 35 per cent, respectively, in 1931.

This trend is undoubtedly desired by the companies, under present conditions, and has no doubt been influenced and encouraged by them. From the point of view of the farmer, it is natural that past experience and his declining income in recent years would militate against his signing notes which might remain as a millstone round his neck. In addition, the manufacturer's experience and his record of bad debt losses and collection expenses would indicate to

him the extreme desirability of encouraging sales for cash, in preference to sales on credit. Time sales are usually booked on a one fall payment basis or a two fall payment basis, and since 1924 the large companies have insisted upon a cash payment on time sales of at least 25 per cent.

Debt adjustment legislation, the difficulty of disposing satisfactorily of second-hand machines, and the desirability of maintaining a reputation for fair dealing, have been major contributing factors in the policy of repossessing machines only infrequently. Legal action, as a general rule, has only been resorted to when the amount involved is substantial and when evidence of bad faith has been present.

Interest is charged on notes given in connection with times sales, both before and after maturity. The rates in the different provinces, which vary to some extent from year to year, were as follows in 1934:—

	Before Maturity	After Maturity
Ontario.....	6% per annum	7% per annum
Manitoba.....	7% “	8% “
Saskatchewan.....	7% “	7% “
Alberta.....	7% “	8% “

In view of the fact that the difference between cash and credit prices is intended to cover the risks attendant upon time sales, we believe that interest charged upon notes should never exceed 7 per cent, and should frequently be less, even after maturity.

It was shown that collection expenses and notes written off as uncollectible, over a ten-year period, had each amounted to about 10 per cent of instalment sales and that, in addition, interest on notes had very frequently been waived or reduced. Experience shows that in recent years, at least, the differential between cash and time prices has been insufficient to cover collection expenses and losses from bad debts, and the companies therefore consider that their time prices are not excessive. This contention might be justified, provided that the anxieties of the companies to make sales had not in the past led them to extend credit with undue liberality and optimism to those farmers whose financial position and prospects did not make them a reasonable business risk. Direct evidence of this was not forthcoming but we are inclined to believe that the companies were not blameless in this regard. To the extent, if any, therefore that credit has been unwisely extended, collection expenses and bad debts have been higher than they should have been. It is better for both farmer and manufacturer that the latter should refuse a sale if the alternative is the extension of unjustified credit.

In Canada, distribution of farm implements is effected through the maintenance of branches throughout the country, where stocks of machines and parts are kept. The employees of these branches supervise the sales, collection and servicing in the various districts. The three large companies maintain a total of 41 branches at strategic points throughout the country, mainly in Western Canada. In addition to these branches, the large distributors maintain warehouses or transfer points, where machines and faster-moving parts are stored. One of the large manufacturers has 22 warehouses, of which 10 are in Alberta and Saskatchewan.

The large companies actually sell their products through agents located throughout the country, who are supplied on consignment with a number of machines for display purposes and a stock of parts. When a sale is made, the machine is forwarded to the agent from the nearest branch or transfer point, and the agent receives a stipulated commission from which he is expected to pay his expenses. The maintenance of branches, warehouses, and agencies, with

the necessary staffs and accommodation, results in a very costly system of distribution and the problem of its simplification is one that vitally affects both the manufacturer and the farmer. All manufacturing is centred in Ontario and in relatively close proximity to the sources of raw material and other manufacturing requirements, and therefore freight charges on the finished product are a substantial item to the Western farmer. The necessity of maintaining the essentials in this system of distribution made it impossible to reduce selling expenses in conformity with the reduced sales of the last few years. The percentage of selling expenses, including commission, to gross sales increased from 26.8 per cent in 1929 to 39.3 per cent in 1931, from which it was reduced to 37.2 per cent in 1933. This increase in the percentage of selling expenses to sales was shown in spite of the fact that actual selling expenses of the four companies were cut from \$5,800,000 in 1929 to \$2,600,000 in 1933, or 55 per cent.

This system results, as we have seen, in a degree of inflexibility of expenses in periods of restricted sales, which reacts unfavourably upon both buyer and seller. Unless and until a different method of distribution can be devised and perfected, however, it appears essential to maintain branches, transfer points and agents, not only in order to obtain sales but to give service and supply repair parts.

Competition in this industry expresses itself, not in prices, but in salesmanship, in keeping and supplying spare parts, and in giving service. This fact has no doubt been responsible for the high pressure salesmanship in the years prior to 1930, of which we found evidence, and which presumably caused a proportion of the bad debts which were subsequently incurred.

We were informed that the present Canadian system was in use in the U.S.A. until about 12 to 14 years ago, at which time the implement dealer succeeded in establishing himself financially to the point where he was able to stock his inventory of goods himself. He was able to buy the repairs and pay for them, and to buy the machines he needed for his immediate stock. The manufacturing companies, therefore, sold to him under a sale contract and escaped the responsibility of having to carry his inventory of merchandise. It also very greatly simplified their collection problems, since they dealt only with dealers rather than with far more numerous individual farmers. In Canada, the dealer has not yet reached that independent financial position, and the manufacturers continue to use consignment contracts.

Sales of repair parts are made for cash, and in the case of two of the largest manufacturers, they have averaged over a ten-year period, 13.8 per cent and 16.8 per cent of total sales in Canada. All machines are, of course, made up of individual parts and the selling price of a complete machine is less than the sum of the selling prices of its individual parts. In other words, the companies make and maintain the selling prices of their repair parts at figures substantially above their actual cost. The 1934 selling prices of all individual parts for 17 machines varied from 226 per cent to 136 per cent of the selling prices of the completed machines themselves, the average differential for all machines being 173 per cent; that is, parts bought separately would cost 173 per cent more than the average machine bought complete. As in the case of machines, it was reported as having been difficult, if not impossible, without detailed investigation, to ascertain the real cost of repair parts. Whatever the actual mark-up may be, it is added to cover the cost of obsolescence, of selling repairs, of maintaining substantial inventories of repair parts, and of the occasional necessity of remanufacturing a small quantity of parts, of which the inventory may have become depleted. Some provincial Governments require that repair parts must be kept in stock for periods of approximately ten years, which places upon the manufacturer the duty of maintaining inventories in excess of what he claims is otherwise necessary. Perhaps the solution may be found in further standardization which would result in carrying fewer parts in stock, aided by a greater degree of co-operation between manufacturers' representatives in giving service.

6. CONCLUSIONS

The main feature brought out by our investigation is the desirability, and even necessity, of providing a fair deal for the farmer, without making any more precarious the continued existence of the manufacturer.

The system of distribution has been shown to be not only expensive but comparatively rigid and inflexible. We feel that a trial should be made of the American system, by adopting it wherever competent and financially reliable dealers can be found.

It has been shown that the carrying of a very large inventory of parts has been unsatisfactory, in the matter of cost, to both distributor and farmer. We believe that there is still considerable room for further standardization of parts, and that it would be to the manufacturer's as well as to the farmer's advantage to explore every possibility of action towards this end.

The productive capacity of the plants is sufficient to supply the normal demands of domestic consumption, though insufficient to supply the domestic and export demand for abnormal years such as 1928. In the absence of anything approaching these normal demands, and with a similar contraction in export business, considerable idle plant has resulted. In the absence of over-capitalization, it is difficult to conclude that the industry is not justified in including overhead on idle plant in its costs. The necessity of carrying this idle plant, however, has been partly responsible for the manufacturers' policy of maintaining prices. In consequence, the farmer has been unable to purchase one of the means of economical agricultural production at a time when he needs it most, and when other economic factors are operating against him.

It is difficult to see how the problem may be solved by legislation, with justice and satisfaction to both parties. Unless it applied to industry and finance generally, compulsory deflation would not be fair to one industry alone, particularly to an industry in which the dominating companies have not been guilty of social abuses. Compulsory regulation of prices, if it were in a drastic downward direction, might be used as a means of alleviating the farmer's position; but it would have the opposite effect upon the industry under review. In the long run, it might not even help the farmer.

The solution to this problem may come from external sources—a return to more normal demand through the increasing purchasing power of the farmer—or it may come from internal sources—a winding-up of recapitalization of one or more of the manufacturing companies.

5. THE CANNING OF FRUITS AND VEGETABLES

1. GENERAL CONDITIONS IN THE INDUSTRY

The canning of fruits and vegetables is an important Canadian industry and one which has made rapid progress during the last decade. Since 1923 the capital invested increased 62 per cent, employment 51 per cent, salaries and wages paid 18 per cent, value of products 44 per cent and the physical volume of production 100 per cent. This growth is the more remarkable as it represents a corresponding increase in the domestic demand for fruit and vegetable preparations, the foreign trade being relatively small as compared with the domestic production.

In 1933, according to the report on this industry issued by the Dominion Bureau of Statistics, there were 273 plants in operation with a capital investment of \$37,286,824, an average employment of 6,530 persons and a payroll of \$3,842,575. The output was valued at the factory at \$29,981,400 and the materials used amounted to \$16,461,755. The industry is of considerable importance to the agricultural economy of Ontario, Quebec and British Columbia.

Our investigators did not enquire into the operations of all the companies in the industry but covered the two largest, Canadian Cannery, Limited and Associated Quality Cannery, Limited; as well as a home-canning company, King and Rankin, Limited. They also received general information from thirty-eight smaller independent companies.

The investigation made indicated a considerable degree of concentration in this industry, with the first two companies above mentioned dominating the field. It was also demonstrated that the canning industry has grown, in this country, neither wisely nor rationally, and has been characterized by over-expansion resulting in surplus capacity, illusory capitalization of companies, a fierce struggle on the part of the larger companies to maintain and increase their positions at the expense of the smaller and an equally intense effort on the part of these smaller companies to survive in the face of this struggle.

2. GROWTH OF THE TWO LARGEST COMPANIES

The history of the largest company, Canadian Cannery, Limited, and its predecessors, goes back to 1893 and presents, as we have seen a striking picture of the combination and consolidation of many small units into one huge corporation, with each successive stage in the process accompanied by increased capitalization resulting from the issue of shares and bonds for assets at, or above, "appraised" values. To-day the company has 80 separate canning factories; far more than is necessary to maintain production.

In 1933, fifty-four of these plants, with a book value of \$3,000,000, were idle or obsolete. It is probably fair to say that the basic reason for this company's possession of so many separate units, many of which were closed as soon as bought, is its desire to gain control in the industry and to remove competition. These successive amalgamations, however, have not solved the problem of over-production. At no time has there been a proper balance between production and consumption in spite of the quasi-monopolistic control of this company; nor is there one to-day.

The capital structure of the largest company, Canadian Cannery, Limited, is discussed in chapter iii and is briefly as follows. The consolidated capital and surplus of Canadian Cannery, Limited, and its subsidiaries, not including depreciation reserves or borrowed capital, amounts to over \$11,000,000. No actual cash has ever been invested in the capital stock of the present parent company, Canadian Cannery, Limited, or its predecessors, Dominion Cannery, Limited, and Canadian Cannery Consolidated Company, Limited. That is, no new money has been invested in Canadian Cannery, Limited, from the time the various companies were taken over by them, although many other assets, usually plants, have been received as consideration for the issuance of shares.

The funded debt of the company as of February 28, 1934, was \$3,263,900, while the reserves and surplus stood at \$6,270,365. Fixed and intangible assets were valued at \$15,918,735, of which nearly \$3,000,000 represents goodwill, and nearly \$3,000,000 more arises from the writing-up of fixed assets.

The second largest company in the industry is the Associated Quality Cannery, Limited, which began operations in 1928 with the acquisition of four companies and now operates twelve plants.

The net book value of the original four companies was \$532,782, but the value placed on these assets, when taken over by the new company, was \$1,011,293. The liabilities of two new companies taken over in 1932 exceeded assets by \$91,038, while at the same time there was an issue of 2,015 shares of stock for a total of \$30,225, making total net additional liabilities of \$121,263. This was offset by an additional debit to goodwill, of \$121,263.

Capital as at February 28th, 1934, was \$306,209, representing ledger value of capital stock, of \$1,843,725 less accumulated deficit of \$1,537,515. Bonds to the amount of \$500,000 have been issued and bank borrowings stand at \$1,328,934. The control of the company now rests in the hands of the Whittall Can Company, Limited, which holds seventy per cent of the stock.

Over the five year period of the depression, 1930 to 1934, Canadian Cannery, Limited, reported gross profits amounting to 24.5 per cent of sales and net profits of 2.7 per cent of sales, while since 1928 Associated Quality Cannery, Limited, showed total net operating losses amounting to \$1,266,164.

3. EXCESS PRODUCTION AND CARRY-OVERS

The General Manager of Canadian Cannery, Limited, in his report to the directors of the company in March, 1934, stated "the future is still uncertain for the industry, and we must face the fact that there are too many canning companies operating and producing in excess of the possible consumption in Canada."

In view of this statement it is worth noting that since 1930 the carry-over of this company has, at each fiscal year-end, more than equalled the value of sales during the ensuing 12 months. This maintenance of what the company calls a "reasonable carry-over", has had important effects upon the grower, as we shall notice in a subsequent chapter.

Whatever the policy may have been, there is no doubt that these large carry-overs have had a disturbing and depressing effect, not only on the growers' prices, but on conditions in the trade generally. They have helped to make the price structure in the industry exceedingly unstable and have facilitated price cutting. More than one witness who appeared before us charged Canadian Cannery, Limited, with exercising a controlling influence by cutting prices for the purpose of restricting or eliminating competition. The maintenance of such large carry-overs, and the selling of one product, tomatoes, over a period of years, at a price consistently less than cost of production, by a company occupying such a dominating position in the industry as Canadian Cannery, Limited, does make such charges not easy to refute.

4. MERCHANDISING METHODS.

The mass buyers have also, to some extent, helped to disorganize the price structure. Before they became important merchandising factors, the sales practice of the companies consisted in booking each dealer's annual requirements without prices in the spring of the year. The market is opened by Canadian Cannery, Limited, announcing their prices after the completion of the pack, and an effort, throughout the ensuing twelve months is made to advance the opening prices gradually. The dealer's opening order becomes a firm commitment, and, as a rule, a uniform due-date is recited and the undelivered part of the order billed as at the due-date, the goods being held thereafter at the customer's risk and expense.

In recent years, however, it has become a common practice for the canning factories to issue price lists at different times through the year. Because of over-stock, competition, and buying pressure, there is great difficulty in maintaining such lists for any reasonable period. There is a continual demand from all classes of customers for lower prices and other concessions, such as, special allowances, advertising allowances, free goods, and floor stock allowances. Many of these are secret and all have contributed to the disorganization of the industry. We agree with the general manager of Associated Quality Cannery, Limited, who stated that all secret or discriminatory rebates to customers should be cut out and the established discounts alone given.

5. RELATIONSHIP BETWEEN CANADIAN CANNERS, LTD., and AMERICAN CAN CO.

Canadian Canners, Limited, enjoys important competitive advantages in its arrangements with American Can Company for the supply of containers.

The significance of this relationship may be judged when it is realized how important a part the price of the container plays in the canners' costs. The following table gives the percentages of the total cost of production, of produce, direct and indirect labour, containers, etc., as taken from the records of Canadian Canners, Limited, and adjusted for rebates, etc.

DISTRIBUTION OF TOTAL COST OF PRODUCTION

(Fiscal period ending February 28th)

	1930	1931	1932	1933	1934
	%	%	%	%	%
Produce.....	34.6	32.4	30.0	25.3	25.2
Other Materials.....	5.0	6.0	5.0	6.3	8.1
Containers.....	22.1	23.7	23.6	27.8	26.4
Cases and Labels.....	7.6	8.0	8.9	9.1	10.0
Direct Labour.....	10.1	8.6	8.5	9.5	9.4
Prime Cost.....	79.4	83.7	81.0	78.0	79.1
Indirect Labour.....	5.6	3.7	5.0	4.1	2.4
Plant Manager's Salary.....	4.5	3.2	4.5	5.2	5.1
Factory Overhead.....	10.5	9.4	9.5	12.7	13.4
Total.....	100.0	100.0	100.0	100.0	100.0

Any company, therefore, which secures an advantage in the purchase of containers is at once in a strong position with respect to its competitors.

There are two large companies manufacturing cans in Canada. The American Can Company (Canadian district), which supplies Canadian Canners, Limited, and the Whittall Can Company, Limited, which supplies the Associated Quality Canners, Limited.

These two companies report that their prices for standard size cans are the same to every customer, the only concession given being quantity discounts to a limited number of large buyers. Current list prices of these two manufacturers are identical, and cans are sold, as a general rule, under the terms of a contract which provides, amongst other things, that the canning company must purchase all its can requirements from the one manufacturer during the term of the contract. It appears that this provision was made to prevent competing can manufacturers from supplying cans during the unexpired term of a contract.

Previous to 1930, Canadian Canners, Limited, manufactured its own cans at Simcoe, Ontario. In July, 1929, however, it sold this plant to the American Can Company, under an agreement which committed it to purchase its entire can requirements, with minor exceptions, from the American Can Company for a period of twenty years, beginning January 1, 1930. The Can company, in turn, agreed to give Canadian Canners a preferential discount over every other purchasing company, by guaranteeing that the net prices charged that company, after taking into consideration discounts and rebates as laid down, should be as low as the lowest net prices for the same kind of cans charged any Canadian customer and lower than the lowest net prices charged any Canadian customer, using a less total number of cans, by at least one-half of the discount and quantity payment. Furthermore, rental and terms for closing machines are guaranteed to be as favourable as made to any other Canadian customer and, in addition, a discount of 5 per cent is given.

Stripped of its legal verbiage, this contract simply means that the largest can company will ensure that no small canning company will be put on an equal

competitive position with the dominating company, so far as this most important element of cost is concerned, namely, the cost of the container. The evidence of the general manager of the American Can Company was that Canadian Cannery, Limited, had an advantage of 15 per cent in the price of cans over all other competitors.

There is no question about the decided disadvantage to which the trade in general is put by these special concessions. To be able to purchase containers at 15 per cent less than they can be purchased anywhere else by anybody else in the industry in Canada is a concession of the worst monopolistic type. Bearing in mind that cans are at present the main constituent of cost in respect of total costs of manufacturing, it is reasonable to conclude that this advantage has a greater effect on the competitive position of Canadian Cannery, Limited, than that which might be gained by any other exercise of the power that naturally accrues to the dominant manufacturer.

The extent of this price advantage is shown by the fact that under the contract, American Can Company has returned to Canadian Cannery, Limited, during the last four years, as special discounts, rebates, etc., a sum of \$1,147,865.

It is hard not to agree with the head of one small canning company who appeared before us when he states that independents simply cannot compete without resorting to reduction in costs that can only be made in other directions. Those other directions usually lead towards the grower and the canning factory wage-earner.

These price concessions were not the limit of the American Can Company's dealings with its favoured customer. It paid \$1,250,000 for the Simcoe plant of Canadian Cannery, Limited, referred to above, which had been carried on the books of that company at a depreciated ledger value of \$170,787.

The manager of the American Can Company justified these concessions on the ground that Canadian Cannery, Limited, took, in 1934, one-third of their output, and that therefore their patronage was important, especially so since they had lost the business of Associated Quality Cannery, Limited.

Associated Quality Cannery, Limited, also purchase their cans exclusively from one company, the Whittall Can Company, Ltd. Their contract, however, is not as advantageous as that of Canadian Cannery, Limited, with the American Can Company, and does not put them in a preferential position over all their competitors. This may be due to the fact that the Whittall Can Company, Limited, has a controlling interest in Associated Quality Cannery, Limited. It is not, therefore, necessary for it to make any great concessions as to terms and discounts in order to secure this business. What it loses as a shareholder in Associated Quality Cannery, Limited, it more than makes up in its profits from the sales of containers to that company. The contract between the two companies, which runs to 1941, merely provides for a quantity discount on net amount of sales which, during the period 1931-33, benefited Associated Quality Cannery, Limited, only to the extent of \$3,500. Partly, no doubt, as the result of this contract with Associated Quality Cannery, Limited, the Whittall Can Company, Limited, has been able to maintain its position during the depression, with net operating profits of 13·9 per cent on sales in 1929, rising to 14·2 per cent on sales in 1933.

The results of the operation of the American Can Company have been even more fortunate, and the concessions given to Canadian Cannery, Limited, as outlined above, have apparently been justified by the results obtained. The net operating profits of the American Can Company in Canada during the years of the depression have risen from 9·9 per cent on sales in 1931 to 21·1 per cent in 1933.

Thus we have a situation in which as a result, partially at least, of arrangements between the dominating corporation making cans and the dominating corporation operating canneries:

- (a) The price of containers is kept at an exorbitant height, while the prices received by the growers have fallen to unprecedentedly low levels.
- (b) No other canning company can secure containers from the largest can company on a fair competitive basis.
- (c) In view of the fact that the two largest users of cans are tied up with the two largest suppliers of cans, it is difficult, if not impossible, for any smaller can manufacturing establishment to extend its business sufficiently to act as a competitive break on the operations of the large can companies.

It all provides a striking example of monopolistic arrangements reacting to the injury of producer, wage-earner and small competitor.

It was stated to us by representatives of the can companies that the reason for the high prices charged for cans was the price of tin plate, which was higher in 1934 than it had been in 1929. Witnesses had no explanation for this increase of price over such a period, and expressed ignorance as to the existence of an international tin plate cartel. We are satisfied, however, that there is some international control of competition in this important product and that the general manager of Associated Quality Canners, Limited, was substantially correct in attributing the situation in respect to the price of tin plate to the fact that the Welsh tin plate interests prevented a free market and restricted Canadian can manufacturers to a single source of supply. We feel also that the tariff should not be used in any way to facilitate such restriction.

Whatever may be the exact causes of this situation in respect to tin plate, the implications are clear. At the one end there is a huge international arrangement to control prices, and maintain profits; at the other, thousands of growers of fruits and vegetables in this country, helpless in the face of these superimposed corporate organizations, the combined weight of which is crushing them to a level where they can make little or no return for long hours of arduous and productive labour.

6. THE RUBBER FOOTWEAR AND TIRE INDUSTRY

1. GENERAL CONDITIONS IN THE INDUSTRY.

The rubber industry is a very important part of Canada's industrial structure. According to the net value of products in 1930, it ranked ninth among all manufacturing industries; according to salaries and wages paid, eleventh. In 1930, Canada was the fifth largest importer of raw rubber in the world; by 1933, it was seventh.

The industry is one of large-scale production and high concentration. In 1933 there were only 45 establishments, employing \$65,000,000 capital, nearly 10,000 employees, and producing over \$41,000,000 of products. The average capital per establishment was \$1,451,000; the average number of employees, 217; the average output, \$922,000. Even these figures understate the degree of concentration. Fourteen firms employed 86 per cent of the total employees and 92 per cent of the total capital and produced 89 per cent of the total output.

When this concentration is supplemented by the organization of powerful associations to fix prices and to establish discount schedules and sales quotas, it is not unreasonable also to infer that the industry is monopolistic. Any competition therein is certainly "imperfect".

The industry was very hard hit by the depression. From 1929 to 1932 the gross value of tires produced decreased about 68 per cent; of footwear, 49 per

cent; of all products, 58 per cent. The number of employees decreased about 7,000, or 42 per cent; total payrolls, 54 per cent. Slight improvement occurred in 1933. According to their own figures, not checked by our auditors, the seven leading footwear companies, as a group, suffered net losses in each of the years 1930, 1931 and 1932. For example, in 1931, the combined losses of five firms exceeded the profits of the other two, making a net loss for the group as a whole of \$1,354,000. As a group, the seven leading tire companies had similar operating results—practically no profits in 1930, net losses in 1931 and 1932. The loss in business is explained chiefly by decreased exports. Domestic sales declined 47 per cent, but exports, which in 1929 represented over a third of the total output, declined over 79 per cent.

The two major products of the industry, tires and rubber footwear, represent respectively 39 per cent and 41 per cent of the total output. The two branches follow essentially similar policies and present quite similar problems. It will be sufficient, therefore, to confine our discussion chiefly to the rubber footwear branch, in which, in 1932, there were only nine establishments employing 3,260 persons, producing over 14,000,000 pairs with a factory sales value of \$16,600,000. The industrial policies of the Rubber Footwear Association, with respect to discounts, prices and sales, are of special interest. They raise the question of whether a deliberate policy of price control at the cost of decreased output and employment is preferable to a flexible price policy which might minimize the decreases in business activity. The drawing of any inference from the available statistics in an attempt to answer this question has been complicated by the sudden increase in very low-priced imports. For example, the imports of rubber footwear from the Straits Settlements for retail sale at a price much less than the lowest possible Canadian cost of production, jumped from 23,000 pairs in 1932 to 567,000 pairs in 1933. Total imports of rubber and rubber-soled boots and shoes, chiefly from the Straits Settlements, Czecho-Slovakia and Japan, increased from 137,000 pairs in 1929 to 2,092,000 pairs in 1934. Their average import value in 1934 was about thirty-five cents. This import situation also complicates the analysis of the excess capacity in the industry.

The information at our disposal is based on testimony before us. No examination of the facts was made by our accountants or investigators. Formal complaint had been made that the industry is a monopolistic combine within the meaning of the Combines Act. Following this complaint, an investigation was made by the Registrar but we regret that we were denied access to the results of his intensive research. We have, therefore, had to reply on public information and *ex parte* statements.

2. DISCOUNTS AND REBATES.

The rubber footwear manufacturers, as organized in the Canadian Rubber Footwear Manufacturers' Association, afford a striking example of the self-organization of an industry. Standardization of prices, goods, and discounts is rigidly maintained among members. The secretary of the association holds bonds of members varying in amount from \$10,000 to \$75,000 on which fines may be levied if the terms of agreement are not carried out. Members are also placed on a sales quota and if any member exceeds his quota he must pay into the association pool 25 per cent of the amount by which he has exceeded it. There is also a tax of 15 per cent for the pool orders shipped at old prices after new higher prices came into effect. This prevents any one manufacturer from taking advantage of a rising market by accepting business prior to a rise for shipment after.

The policy of the association with respect to special discounts to certain retailers is an important aspect of this organization. The schedule submitted to us by officials of the association describes in some detail the group classifications which decide the granting of special discounts to the customers.

According to this document, manufacturer members have four preferred lists of retail customers. The classification for list A is an annual volume of purchases in excess of \$75,000 by these customers. A preferential discount of from 12 per cent to 14 per cent is granted, and an additional bonus from 1 per cent on volume from \$250,000 to \$500,000 increasing to a total of 6 per cent on the excess over annual purchases of \$1,000,000. In grade B are included purchasers with an annual volume in excess of \$35,000 who receive a 10 per cent discount. Customers in grade C must have an annual volume of purchases of over \$20,000 and are eligible for an 8 per cent discount. Groups B and C have in theory the bonus for volume on the same scale as group A, although it is not likely in fact that their volume has ever been sufficient to qualify them for this bonus.

Group D is in a relatively less favourable position. It consists of those co-operative buying groups whose annual purchases exceed \$20,000. They receive a 6 per cent discount instead of the 8 per cent received by other customers in the same volume class. In addition they are not eligible for a higher discount group, however large their volume of purchases. The largest discount a co-operative buying group can secure is 6 per cent plus a 2 per cent bonus on volume. It appears that the only co-operative buying group whose volume is comparable to the largest mass buyers in Class A is the York Trading Company, which finds itself severely penalized by this arrangement.

We have also received evidence that voluntary chains of retailers who endeavoured to obtain the benefits of volume discounts, by pooling their purchases, were refused the appropriate discount for volume, and it cannot be said that this apparent discrimination was satisfactorily explained by the officials either of the rubber companies or of the association.

Customers with a volume of purchases below \$20,000 are listed by the association as "unpreferred," but they receive a bonus varying with the size of their annual volume of purchases, unless these fall below \$300 in value, when the bonuses cease.

In order to understand the effects of this schedule of discounts upon the hundreds of small retailers who are excluded from its main benefits, it must be borne in mind that their chief competitors are the mass buyers in group A¹ who benefit most extensively by the discount rate. When they, for example, are receiving a discount ranging from 14 per cent to 18 per cent, they can afford to sell at a certain retail price level. The small retailer is obliged to compete principally with the prices thus established, and it is obviously not possible for him to do so with profit.

This scale of discounts is based, apparently, upon volume, with one significant exception—the co-operative buyer. The special discrimination against him was explained by officials of the association as resulting from the additional expenses which his business involved. It is more expensive, for example, to send out travellers to the numerous small units composing such a group than to deal with a chain store. There is doubtless some truth in this argument, but the real objection to the co-operative buyers, as was admitted by the secretary of the association in the course of evidence, is the objection to their method of doing business.

Another, although less important side of the association's policy of discouraging certain methods of doing business, is to be found in their attempt to eliminate jobbers from the field, with the exception of a few "consignment jobbers" who are given preferred treatment.

The principal reason for this policy is the difficulty of controlling jobbers and making sure that they adhere to all the rules of the association. In any case, jobbers are a declining factor in this industry.

(1) This group includes—Agnew Surpass Shoe Stores, Dupuis Freres, Limited, T. Eaton Co. Ltd., Hudson's Bay Company, J. B. Lefebvre, Robert Simpson Co., Ltd., Army & Navy Dept. Stores, Neighbourhood Stores.

3. PRICE FIXING

The price maintenance scheme prevalent in the industry must be considered in connection with the import and export situation. Exports have dropped from about \$32,000,000 in 1930 to \$7,600,000 in 1933. One would expect under conditions of free competition that there would be a resultant decline in the number of manufacturers in the industry. Under present conditions this has not been the case. None of the manufacturers in the industry has gone out of business since the depression. The price-fixing policy of the Association is primarily responsible for this. It has attracted competition which it has then been obliged to absorb, with the result that there is a great excess capacity. Indeed, any two companies could produce all the rubber footwear for which there is a market in Canada at present prices. In the meantime, imports from Straits Settlements, Japan and Czecho-Slovakia have increased and it would be impossible for Canadian manufacturers, unless protected, to compete in price with these imports.

It has been advanced in defence of the price-fixing policy of the association that it has not in reality eliminated competition. There is always, it is said, the element of potential competition. New enterprise will be attracted to a field where relatively high prices prevail, and price competition will then begin anew. But this has not been the case in practice. On the contrary, the new concern entering the industry is absorbed into the Association and is soon found adhering to the standardized price level. In 1930, The Acton and Woodstock Rubber Companies appeared as possible price competitors. In 1931, they had come to terms with the Association and entered its ranks.

It may be added, with reference to price maintenance in general, that while it has eliminated price competition, sales competition with all its attendant expenses remains keen.

4. SALES QUOTAS

The sales quota is an ingenious device which has the effect of checking any tendency on the part of any one manufacturer in the industry to cut his prices. When such a manufacturer has reached his quota he is no longer interested in further business. Indeed, if he gets more business he has to pay a penalty in the form of fines for so doing. At a time when all manufacturers are working below capacity this checks any tendency toward doing capacity business. For example, when as frequently happens, the government calls for tenders for goods, it would be impossible for a manufacturer to obtain the contract by quoting a low price which, while it might be profitable for himself, would be contrary to the rigid regulations of the Association.

The rubber footwear industry, therefore, provides a striking example of that industrial policy which consists of the maintenance of prices at the possible cost of decreased employment and output.

5. THE TIRE INDUSTRY

Essentially the same range of problems arises in the tire industry. Its only distinctive feature is the use of a special discriminatory device, that of private brand tires. These are usually the standard tires produced by the manufacturer but branded with the name or brand of a large distributor who sells them at less than the list price of the manufacturer's own brand. In 1933 approximately 10 per cent of the sales of association members were to private brand accounts.

Three association and three non-association manufacturers do private brand business, on which the discount from the standard price list ranges from 33 per cent to 44 per cent. This means that essentially the same tire which costs the ordinary dealer from \$7.75 to \$8.60 (depending on volume) and is expected to be sold by him for \$10.55, costs the mass buyer or other private brand dealer

\$6.53 and may be sold at \$7.75. This is a perfect illustration of the monopoly policy of quoting different prices to markets that are assumed to be separate. The cut price through mail order and similar private brand channels is not intended to affect the price in the regular market.

As a remedy for this practice, we recommend that the name of the actual manufacturer must be plainly stamped on all of his products.

7. THE FERTILIZER INDUSTRY

1. GENERAL CONDITIONS IN THE INDUSTRY

The manufacture of fertilizer in Canada is concentrated in only 20 plants, whose production in 1933 was valued at \$4,286,000. In the same year they had 667 employees and an employed capital of \$16,000,000, while the total wages bill amounted to \$776,000. Within the industry a great degree of concentration exists. These firms represented \$11,000,000 or 71 per cent of the capital invested and accounted for \$400,000 or 51 per cent of the total wages bill.

The industry was very seriously affected by the depression. Exports declined from \$6,000,000 in 1929 to \$2,000,000 in 1932, while imports declined from \$4,800,000 to \$3,300,000 during the same period.

Plants for the manufacture of fertilizers are fairly well distributed across the country with the exception of the Prairie Provinces, where the consumption of mixed fertilizers has not been large. There are 7 manufacturing firms in the Maritime Provinces, 3 in Quebec where the use of fertilizer is encouraged by a bonus to the farmers by the provincial Government, and 3 in British Columbia, where from 5 to 6 million tons of mixed fertilizers are sold annually. There are 7 firms engaged in this manufacture in Ontario, where there is the greatest acreage of special crops and consequently the largest consumption.

2. TERRITORIAL PRICE DISCRIMINATION AND DELIVERED PRICES

Small though this industry may seem in absolute size, its policies profoundly affect the welfare of the primary agricultural producer. There is unmistakable evidence that in Ontario at least the fertilizer industry, dominated by Canadian Industries, Ltd., is monopolistic and exercises its monopoly power by a system of delivered prices. This device is of such general importance that it warrants rather more extended discussion than the size of this industry would seem itself to justify.

Complaints were made to us about the difference in fertilizer prices in Ontario and Quebec. It was found that there were wide diversions between list prices to consumers west of a line from Kingston, Ontario, to Pembroke, Ontario and list prices east of that line in Ontario and in the Province of Quebec. This is in part because the fertilizer manufacturers east of this line quote prices on an f.o.b. basis, whereas in Western Ontario, an association of fertilizer manufacturers quotes only prices on delivery to the farmer's barn. Also manufacturers east of the line will not deliver west of it. Such differences may be due in part to the Quebec practice of co-operative buying.

West of the Kingston-Pembroke line an arbitrary uniform delivered price is established for each grade of fertilizer. The discrimination in this case is clear, as farmers near one of the fertilizer plants have to pay the same price as purchasers far away. Such uniformity in prices could not be maintained if each manufacturer were quoting prices f.o.b. his plant. While the fertilizer factories are not scattered over a very wide area, there must be some differences in freight rates from different plants to the same locality. A system of prices f.o.b. plant would thus mean that certain territories would be the economical

market for each plant. Under the system of identical delivered prices, each fertilizer plant is free to seek business anywhere in that section of the Province, in which the prices are controlled by the Association. That the prices, under such a policy, tend to be higher than they would have been under competitive conditions is clear from a comparison of Ontario prices with those in Quebec, where prices are quoted on an f.o.b. basis.

An attempt was made to explain this discrimination by reference to the higher cost of production in Ontario and to the delivery and other services which members of the Ontario Association offered. But little opportunity is given to purchasers to avoid such charges by buying f.o.b. plant. If the fertilizer companies sell transportation the cost of such services should be clearly indicated in their price quotations and not lumped in a delivered price with the cost of the material itself. Under a system of free competition the policy of quoting uniform delivered prices could not be followed for the tendency of competition would be to equalize the price to all buyers on an f.o.b. basis.

The system of delivered prices, especially if arbitrary basing points are established at which all producers quote the same price, means that the purchaser is compelled to buy with each unit of the commodity a fixed amount of often imaginary transportation. The farmer who lives next door to the fertilizer factory must pay not only the price of fertilizer itself, but also the cost of transporting it from the distant basing point, although in fact the fertilizer is simply carted across the road. It must be admitted of course, that a system of f.o.b. prices would not prevent agreement among manufacturers; it would, however, make it much more difficult for them to reach an amicable agreement on the division of territory. Under a system of delivered prices, each producer is free to bid for all orders (because all are quoting the same price), but, if a plant were not favourably situated with respect to some big buyer whose order was desired, the only way of securing such an order on an f.o.b. basis would be to quote a lower price at the plant. If such prices were published, this would mean, for this manufacturer, a lowering of his price throughout his territory and, in fact, an extension of his market unless other manufacturers immediately met his new f.o.b. price.

The system of delivered prices also encourages another serious evil in competitive practices in that it facilitates local price discrimination. As long as a manufacturer is restricted to f.o.b. prices he has difficulty in discriminating between buyers in different localities because a reduction in price at the plant means a reduction to all buyers irrespective of location. Under a system of delivered prices, however, particularly if there is a tacit agreement regarding prices among the big producers, the price may be cut severely in one locality and maintained in all others. The purpose of such a discriminatory policy is generally to undercut a local producer in his own market and thus put him out of business or force him into a price agreement. This monopolistic control of the market was further bulwarked by a policy on the part of chemical manufacturers and importers, of hindering the sale at market prices for home mixing of the separate fertilizer constituents.

The results of such a system of delivered prices are injurious not only to the purchaser, because prices are almost inevitably higher than they would be under simple competition, but they give the combine or monopoly a means of price discrimination against which no small manufacturer can protect himself. This is clear not only from the evidence on the fertilizer industry, but also from common knowledge of the marketing of gasoline. If the large oil companies were quoting prices f.o.b. their refineries, the small wholesaler of gasoline would be protected against local price discrimination, if he found it possible to reduce his prices through efficient management. Under a system of delivered prices the companies can drop their prices in any one locality and maintain them in all others. Under a system of f.o.b. prices, prices could

not be cut in one locality without reducing them in all localities served by the refinery. The objection to such a system would be that the big companies would not be able to protect themselves against local price cutters. But, given a standard quality of product, if such local reductions in prices are due to cheaper sources of supply, there is no economic justification for unfavourably situated oil companies competing in such localities.

The cases which have been cited are becoming more characteristic of marketing policies in Canada. The fertilizer industry is a particularly clear example of the workings of this policy of delivered prices. Later in this report we discuss methods for prohibiting such practices when they result in price discrimination. Here we merely express our condemnation of them as monopolistic and unfair.

8. THE TEXTILE MANUFACTURING INDUSTRIES

1. GENERAL CHARACTERISTICS.

Our investigation into the textile manufacturing industries in Canada covered 217 companies engaged in the manufacture of textile yarns and fabrics and other products. A number of other companies were listed in the 1930 Census of Industry, but the concerns reviewed by the commission were estimated to account for more than 95 per cent of the total employment in the fields selected for investigation.

In view of the number of companies concerned, it was obviously not feasible to examine into their individual operations in detail, nor did we consider that the possible results of detailed investigation would justify the time and expense involved. Our investigators were, therefore, instructed to submit to each of the companies a form of questionnaire and to arrange, tabulate and report upon the replies received.

The questionnaire so submitted and the evidence received by the commission dealt in considerable detail with the wage structure and employment generally, and the results of this phase of our inquiry are reserved for discussion in a later chapter of this report. Apart from this, however, considerable evidence was taken as to the general characteristics and trends of the industry in its several branches. In this section, we report on these features as they affect the social and economic life of the Dominion.

The 217 companies had in 1933 a capital investment, including bonds, of \$185,000,000; they operated 246 mills, employing approximately 47,500 factory workers, with a total wages bill of \$32,700,000; and their combined sales in that year totalled \$135,000,000. As a group these companies occupy a prominent position in the industrial structure of the country and in volume of production are only exceeded by three other groups, manufacturers of wood and paper products, vegetable products, and possibly iron and steel.

"The textile industry" is a generic term applied to producers of all forms of textile goods but within the companies investigated by us, there are such distinct lines of demarcation that different classes of producers constitute in effect a number of separate industries. Our auditors, therefore, reported upon ten separate groups which were found to have by no means similar characteristics and in summarizing our findings, it is necessary to refer specifically to the more important of them. The nature of this division and the relative importance of the different branches, is indicated by the following statistics of the year 1933:

Group	Number of mills	Average number of factory workers employed	Sales (thousands of dollars)
A. Primary Cotton.....	29	15,482	33,960
B. Woollen Manufacturers.....	44	6,888	20,672
C. Silk Manufacturers.....	18	3,407	11,167
D. Hosiery.....	32	5,242	12,863
E. Synthetic Silk.....	2	3,127	10,350
F. Knit Goods.....	78	10,342	29,069
G. Carpets and Rugs.....	5	625	1,816
H. Thread and Cordage.....	7	1,016	5,420
I. Bags, Waste, Cotton Batting, Tents and Awnings.....	24	781	7,260
J. Specialty Fabrics.....	7	657	2,441
Total.....	246	47,567	135,018

The characteristic form of business organization among these undertakings was the incorporated company and all the larger units were found to be operating under charters granted by the federal or one of the provincial Governments. Concentration under the corporate system does not appear to have developed to anything like the same extent among these companies, as it has in certain other industries reviewed by the commission. The companies investigated, however, in their different groups, afford examples of different phases of competition. The best example of simple competition is found in the woollen group where the largest single company had only 12·5 per cent of the total sales of the group, the next four, an average of 7 per cent each, and the next fourteen, all over 2 per cent of the total. In contrast to this is the synthetic silk industry, in which two companies, with radical differences in their technical processes, enjoy virtual monopolies. The largest single group, primary cotton manufacturers, is an example of imperfect competition. The largest company, Dominion Textile Company, Limited, has 38 per cent of the total sales and with its controlled subsidiary, Montreal Cottons Ltd., 48 per cent: the next two companies together have 31 per cent, leaving only 21 per cent for the next seven companies together.

Signs of an increasing degree of concentration in the textile industry are to be found in the appearance of certain interests in fields other than that in which their main activity lies. Through interlocking directorates at least, there appears to be a positive connection between some of the largest companies in the cotton, woollen, silk and knit goods field. Thus, while concentration has not developed to the point where two or three very large corporations, operating in all the important fields of the industry, dwarf the remaining companies, the presence of the same management interests in important units in different fields cannot but suggest the possibility of such a development.

In the more important groups, the largest companies were found to be publicly owned, but the textile industry contributed only in a small measure to the public financing operations of the period 1921-1933. Very little information is available as to the details of the consolidations and mergers which took place prior to 1923, before which date most of the great textile companies were formed. From 1923 to 1933, however, the relative freedom of this industry from unwarranted writing-up of assets for purposes of refinancing is evidenced by the fact that the five largest textile companies increased their net assets in the period by only 9·7 per cent, as compared with an increase of 83·8 per cent for the 95 largest non-financial Canadian companies (transportation companies excluded).

In the larger textile companies, however, the same marked development of management control was found as in other industries. Four out of the five largest concerns were found to be controlled by groups owning less than 20 per cent of the capital, and the fifth to be a case of minority control, in that

less than 50 per cent of the capital was owned by the management group. Among the smaller companies in the industry, the public company is rare and a high proportion of these companies are entirely owned by the active management.

2. THE TEXTILE INDUSTRIES AND THE DEPRESSION.

The operations of the companies by groups were reviewed for a five-year period, and while the effects of the depression and the decline in prices were evident, textile manufacturers as a whole appeared to have suffered to a far slighter degree than industry generally. The principal reason for this appears undoubtedly to have been the tariff revisions which were made in 1930 and subsequent years, by virtue of which the Canadian industry largely escaped the demoralization which occurred in textile markets in other countries. The addition of specific to ad valorem rates of tariff duty on many items had the effect of virtually excluding the cheaper lines previously imported and with which Canadian manufacturers could not compete. Canadian mills, therefore, while sharing the general loss of volume consequent upon decreased public purchasing power, went into volume production on cheaper lines upon which the public demand tended to concentrate. Competition from Asiatic countries, where costs of production have been brought to unprecedented low levels, has been largely nullified by the dumping duties. Thus, the primary textile industries have been able to maintain employment at a remarkably high level. From 1929 to 1933, the number of employees decreased but 3 per cent and the wage bill by 15 per cent, whereas manufacturing in general suffered a decline of 29 per cent in the number of persons employed and a decline of 38 per cent in the amount paid out in salaries and wages.

The Bureau of Statistics index number of wholesale prices for textiles fell from 81·8 in 1930 to 69·7 in 1932, or by 15 per cent; in the same period the sales of the companies reviewed by the Commission declined by but 17 per cent. This indicates that in point of physical volume of production the industry gained approximately as much in the cheaper lines, which it started to manufacture in 1930, as it lost through the decrease in public demand for the lines which formerly represented its entire output. The other side of the picture is found in the statistics of imports of manufactured textiles from other countries. Importations (in yards) of cotton fabrics, for instance, declined from 1929 to 1932 by over 52 per cent; Canadian woollen and worsted cloth mills are estimated to have supplied 62·5 per cent of the domestic requirements in 1933, as compared with approximately 22 per cent in 1930; and similar gains were registered in other branches of the industry.

There can be little doubt, therefore, that textile manufacturers in all important branches of the industry, have benefited to a material extent from the increased tariffs which came into force coincident with the beginning of the depression. That the tariff policy has been largely responsible for the maintenance of employment at a relatively high rate, is also clear. In spite of such benefits, however, certain companies, particularly some in the natural silk group, have exploited the situation and shown a callous disregard for the decency of their wage scales. Investigation of some of these whose operations have been increasingly profitable, disclosed wage and employment conditions which can be described only as shocking. Fuller reference, however, will be made to the wage conditions in this industry in chapter v.

The past five years have witnessed certain technological improvements within the industry. New automatic machinery and more efficient looms were installed and had a perceptible influence upon the productivity of the individual employee. This was accomplished, however, without a large additional capital investment, and the fixed assets of the various groups show no sudden or unusual increases.

With this general picture as a background we discuss, briefly, the various groups into which the industry is divided, each with its own characteristics and trends.

3. PRIMARY COTTON MANUFACTURERS.

a. General Characteristics.

This is by far the largest and most important group in the industry and is composed of a few large producers. The Dominion Textile Company, Limited, the largest textile concern in the country, together with its controlled subsidiary, Montreal Cottons, Limited, in 1933 accounted for 48·3 per cent of the total sales of the cotton group, or 12·1 per cent of the total of all textile companies investigated. The next two companies in point of size, Canadian Cottons, Limited, and the Wabasso Cotton Company, Limited, together accounted for 31·3 per cent of the cotton total, and each had sales in excess of \$4,000,000 in 1933. These are followed by five other companies, only one of which had sales of less than \$1,000,000 in 1933.

The industry is concentrated in the province of Quebec, where approximately 70 per cent of the production is found. Ontario mills account for a little more than 20 per cent and the balance of the production comes from mills in the Maritime Provinces, all of which are owned and operated by the Ontario companies.

Most of the manufacturing takes place in small towns and of the 29 mills operated by the cotton companies, only five are to be found in cities of over 250,000 population. No less than fifteen mills are located in towns with populations of under 15,000, and these consequently play an important part in the life of these communities.

Of the nine companies making up the cotton group, six are public companies, in that their securities have been sold to the public at large; two others are subsidiaries of large manufacturing corporations in other industries; and only one company is privately owned and controlled by the group owning its entire capital. The combined balance sheets of the cotton companies, after eliminating inter-company holdings, show a total net worth of \$67,000,000, of which bonds represent 21·1 per cent, preferred shares 16 per cent, common shares 43·6 per cent, and free reserves and unwithdrawn profits, 19·3 per cent. On the whole, the financial position of the group is a satisfactory one and the several proportions of bonds, preferred and common shares, exhibit none of the extremes consequent upon excessive financial promotion.

A large part, 67 per cent, of the output of the cotton group, is sold for further manufacture. Of the balance which is sold as consumer goods, a high proportion is sold through wholesale houses. While some of the manufacturers have developed their own jobbing outlets, the Dominion Textile Company, Limited, continues to employ the wholesale merchant for small-quantity distribution. Though sales are made direct to department stores, the independent retailer cannot deal with the manufacturer, a point which has some bearing on his competitive position.

One evidence of the imperfect character of the competition within this group is the fact that the larger companies fail to compete with each other in certain goods. Thus, the Dominion Textile Company, Limited, does not manufacture cotton denim, while other companies are the sole producers of other important lines. This means that the wholesaler, who wishes to carry a complete line of cottons, has to buy from all the larger companies.

b. Earnings and Profits

The group as a whole earned profits in each of the four years 1930 to 1933, although the rate of earnings on the invested capital declined sharply. The net profits for the four years amounted to \$5,850,000 (of which over \$5,250,000 was earned by the Dominion Textile Company alone), and represented an average annual rate of earnings of 2·5 per cent on the invested capital. Taking the

three largest companies alone, the rate of earning on the invested capital declined 4.7 per cent in 1930 to 1.9 per cent in 1933; in 1934, however, the profits rose sharply and in that year represented 7.3 per cent of the net invested capital.

While further reference is to be made to the question of textile wages, we should here point out that the cotton group has a fairly good record in the matter of employment. While not paying high wages, it appears to adopt a fair attitude in its employment policies, and there are no cases of unscrupulous tactics comparable to those in some other sections of the textile industry.

4. WOOLLEN MANUFACTURERS.

In contrast to the semi-monopolistic character of the large cotton companies, the average woollens manufacturer is a relatively small unit. Our investigation covered forty companies in this field, of which the largest, Dominion Woollen and Worsteds, Limited, accounted for only 12.5 per cent of the 1933 sales. While the largest company in the cotton group was much more profitable than the average, the largest of the woollen companies was consistently unprofitable.

In spite of a considerable drop in prices, the sales of woollen mills increased by approximately 15 per cent from 1930 to 1933. The employment, however, showed a 30 per cent increase over the same period, which was accounted for, partly by new mills and partly by increased activity of the established mills. The production of Canadian mills rose from 5 million yards in 1930 to 13 million yards in 1933. Imports from Great Britain and foreign countries declined in the same period from 18,400,000 to 7,800,000 yards. The increased demand for the cheaper lines, of which the per-employee output is considerably higher, explains the apparent discrepancy between the gains in employment and production.

Out of the 44 mills operated by the companies investigated, 31 are in Ontario, 9 in Quebec, and 4 in other Provinces. The production of Ontario mills represents about 80 per cent of the total for the industry. Only six mills are located in large cities, and half of the total are in towns or villages with populations of under 5,000.

As in the case of the cotton industry, a very large proportion of the output of woollen mills is sold for further manufacture, principally to knitters and makers of clothing. About 27 per cent of the 1933 production was sold as consumer goods and distributed mainly through wholesale jobbers and department stores.

The invested capital of the group in 1933 was \$24,000,000, of which more than half represented companies privately owned by Canadian interests. Three public companies accounted for approximately \$7,400,000, and five companies controlled from outside of Canada made up the balance, approximately \$3,900,000.

The group as a whole has had increasingly profitable operations from 1930 to 1933. In the former year, profits were equal to 1.2 per cent of the net equity and increased to 6.6 per cent in 1933. The unprofitable operations of the largest company whose 1933 losses were equivalent to 8 per cent of its capital, were just exactly offset by the earnings of three specialty companies making felts for paper companies, so that the 1933 average of the remaining companies was still 6.6 per cent of their net equity.

The wages scales in the woollen group were considerably higher than those of the cotton companies. There were, however, four companies whose wages were exceedingly low and these were the subjects of special reports from our investigators. The combined employment of these mills, however, represented only 2.7 per cent of the total for the group.

5. NATURAL SILK MANUFACTURERS.

Our investigation into manufacturers of natural silk yarns and fabrics covered sixteen companies, of which ten are located in towns in the province of Quebec with populations of under 15,000. The two largest companies in the group each have about 20 per cent of the total sales and the first five in point of volume account for over 76 per cent of the total.

The operating statistics of the silk group reveal a marked growth throughout the depression. Between 1930 and 1933, six new mills went into production and the output of the group in 1934 is estimated to be nearly 40 per cent above the 1930 level. Operations were shown to have become increasingly profitable, net earnings advancing from 1.0 per cent on invested capital in 1930 to 5.7 per cent in 1933.

As in the cotton and woollen groups, the benefits received by domestic silk manufacturers from higher tariff schedules are unmistakable. In 1930 nearly six million yards of unfinished silk fabrics entered Canada from abroad; while in 1932 total imports were less than half a million. It is significant that almost the entire increase in the invested capital of the group during the period arose from the establishment of three mills owned by United States interests, one of which, Associated Textiles of Canada, Limited, has assumed a leading position in the industry.

The silk group contains only a small proportion of privately owned Canadian companies. While they represent one-third of the companies, their combined invested capital is less than 9 per cent of the total. The Canadian public companies, of which there are three, account for 61 per cent of the total invested capital; six United States controlled companies represent 21 per cent; and one concern, controlled in Great Britain, accounts for approximately 10 per cent.

The average wages paid in this industry were the lowest of any of the textile groups and were approximately 23 per cent below the average for the other nine groups or 27 per cent less than the average for all manufacturing industries. In the periods examined, 80 per cent of the employment was in the province of Quebec. While the operations of the smaller mills paying the lowest wages were not highly profitable, investigation of one of the larger and more profitable companies revealed a deplorable wage condition. This is reserved for fuller discussion in chapter v.

6. HOSIERY MANUFACTURERS.

This group consists of thirty-two companies and presents an example of simple competition with no one company or group of companies dominating the industry. The largest company had in 1933 16 per cent of the total sales, the next largest only 9 per cent and each of the others 6 per cent or less.

Nineteen of the companies operate in Ontario, twelve in Quebec and one in Nova Scotia. The tendency of the mills to seek small centres of population is less marked in this group than in those previously reviewed. More than half of the establishments are in towns of over 15,000 population and one quarter of the total are found in the largest cities.

As in the case of other textile producers, manufacturers of hosiery have registered a large relative gain in the Canadian market. It is estimated that in 1933 domestic mills supplied over 98 per cent of the country's total requirements, as compared with but 68 per cent in 1930. The total demand, however, has decreased not only in dollar value but in physical volume and the companies reviewed registered a gain in employment of only about 3 per cent from 1930 to 1933.

An analysis of the methods of distribution of the output of this industry shows that nearly half of the total is sold direct to the smaller retailer by the manufacturer. Chain and department stores combined took 38 per cent of the 1933 production and wholesalers 17 per cent.

The invested capital in this industry in 1933 amounted to slightly over ten million dollars. Four public companies played but a minor part and represented less than 10 per cent of the total capital. The largest single class consisted of privately owned Canadian companies, although companies partly or wholly controlled by United States interests were almost as great in point of invested capital.

The operations of these companies have tended to be more profitable from year to year, but in 1933 the profits of the group represented only 4.7 per cent of the invested capital, or one per cent more than the 1930 profits. Eliminating one exceptionally profitable company, the average rate of earnings on invested capital increased from 2.2 per cent in 1930 to 3 per cent in 1933.

7. SYNTHETIC SILK MANUFACTURERS.

This division contains only two companies and is distinctly monopolistic in form. Both companies are controlled from outside of Canada and form part of very large organizations which have pioneered in the development of synthetic silk manufacture. Courtaulds (Canada), Limited, is owned by Courtaulds, Limited, of England and produces rayon from wood fibres. While the patents covering the essential parts of the chemical process have expired, the investment required to be made in plant and machinery is so large that only a company of considerable resources can enter the field. The Canadian Celanese, Limited, owned by foreign interests, produces artificial silk from cotton lintels and its processes are protected by patents, which effectively exclude competition.

The unit of operation is large, and each of these companies operates mills employing over 1,500 workers. In both cases, they are established in towns of less than 15,000 population and exercise a considerable influence upon the life of these communities.

During the past five years, there has been a phenomenal increase in the production of these companies. In spite of decreases in price during the period, sales in 1933 were more than double those of 1929, and mill employment showed an increase of more than 80 per cent. This is due in part to a drastic reduction in imports but appears to arise to some extent from the wider use of rayon yarns by textile producers in other classes. Courtaulds make only rayon yarn, which is all sold for further manufacture and purchases of such yarn by the cotton companies increased during the past five years to a marked degree. The Celanese Company in the same period sold very little yarn and the increase in their business seems more closely related to the falling in imports and the popularizing of their product with the buying public.

With this increase in volume, the operations have become increasingly profitable. In 1933, the combined net profits of the two companies represented earnings on the invested capital at the rate of 10.8 per cent. In view, however, of the heavy investment per dollar of sales, the net profit of Canadian Celanese, Ltd., was equivalent to over 24 cents for each sales dollar, and in the case of Courtaulds, to over 12 cents. These earnings are higher than encountered anywhere else in the textile industry and appear to have a definite relation to the absence of competition in the field.

In the matter of employment policies, both companies were found to have relatively good records.

8. KNIT GOODS MANUFACTURERS.

This group embraces 72 companies, of which 11 had in 1933 an invested capital of over \$1,000,000 each, and together represented over 70 per cent of the total for all companies. The remaining 61 companies had an average investment of only \$154,000 and included many small operators.

Of the 11 larger companies, 6 are publicly financed and include the largest single company in the group, Penman's Limited. This company operates 6 mills and accounted for over 17·5 per cent of the sales of all companies in 1933. The next largest company in point of sales volume, contributed less than 7 per cent.

The invested capital of the group in 1933, amounted to approximately \$35,500,000, of which slightly over half was represented by the 6 public companies. Privately owned companies numbered 62, and their combined capital made up most of the balance, four companies of foreign ownership contributing less than 2 per cent of the total invested capital.

The industry centres in the province of Ontario where nearly 70 per cent of the employment was found in a test period in 1934. Quebec had in the same period approximately 23 per cent and the balance was represented by mills in the Maritime Provinces (6 per cent) and in the West (2 per cent).

During the past five years, the assets of this group increased by approximately 10 per cent, but sales showed a slight decline, due to the drop in prices which took place during the period. Employment is estimated to have decreased by approximately 6 per cent from 1930 to 1933, but 1934 operations indicated substantial increases in both sales and employment.

It cannot be said that the operations of the knitting mills have been profitable since the group as a whole registered net losses in the years 1930 to 1932 inclusive. The profits in 1933 were equivalent to 2·4 per cent of the invested capital.

9. OTHER CLASSES.

Four other classes were reported upon in detail by our investigators but these represent more specialized and smaller groups than those already discussed.

Five carpet and rug manufacturers suffered a 59 per cent loss in business from 1930 to 1933 but, while their employment fell sharply, the wage rates in 1933 were higher than any other group reviewed.

Six companies were reported on in the thread and cordage group and examination of their operating statistics revealed several significant features. Nearly all these companies had an invested capital of over \$1,000,000, but the one publicly financed company, although its capital exceeded the combined investment in the next two private companies, had smaller sales in 1933 than either of them. The two privately owned thread companies were profitable and in 1933 earned 15·8 and 10·7 per cent, respectively, upon their invested capitals. The return on capital earned by the publicly financed cordage company was at the rate of only 3 per cent in 1933. Other features of this group were relatively high wage scales and sound employment policies, four out of six companies contributing to group life insurance schemes.

A miscellaneous group of manufacturers of bags, waste, cotton batting, tents, awnings, etc., was reported upon but in view of the diversity of their activities, no operating details were submitted. The wage statistics of this group are, however, referred to in chapter v.

The final group embraced 7 manufacturers of specialty fabrics. While some of these operated profitably, others encountered severe losses. The group as a whole represented no important characteristics which have not already been discussed.

10. CONCLUSION.

In the more important branches of the textile industry there have been for some years certain associations of manufacturers. A representative of several of such associations appeared before the Commission and described briefly the nature of the services performed. The principal purpose of the typical association was stated to be the keeping of statistics and credit information. In addition,

however, the association acts in the interest of its members in matters of public relations and propaganda and regularly represents the industry in its dealings with government departments and the Tariff Board.

According to the evidence, however, no attempt has so far been made to regulate wage scales or working conditions generally, the reason given being that the existing associations had not the power to control their members. We are forced to the conclusion, therefore, that while manufacturers are prepared to come together for the purpose of seeking benefits or protecting their reputations, they have not taken advantage of the existence of a permanent central organization to promote individual operating standards or prevent exploitation by their members.

In fairness to these associations, we appreciate that any attempt to discipline industry through voluntary associations might drive the less scrupulous mills out of such associations. Thus, while still sharing in any benefits secured for the industry as a whole, sub-standard mills might render more difficult any improvement in the standards of the better mills and the latter would be called upon to pay the entire cost of maintaining the trade association.

One other field in which the trade association might perform useful service is in the promotion of proper standards in consumer goods, eliminating dishonest marking and labelling, and curbing unfair competitive practices. The question of discipline, however, again appears and in its present form the typical association appears to have a very limited influence. We reserve our further discussion of textile marking and standards for the chapter dealing with the consumer.

9. THE MILLING AND BAKING INDUSTRIES

1. IMPORTANCE OF THE INDUSTRIES.

Our terms of reference called specifically for an inquiry into, and an investigation of "the relation between the flour milling industry and the bakeries of the country, and the effect of such relations upon the bakery industry." For this purpose, the actual hearings devoted to the milling and baking industries, were supplemented by a special inquiry made by our investigators. In undertaking this inquiry, the investigators circularized the flour milling and bakery companies in order to secure certain statistical and other information and also visited various milling and baking companies.

The milling and baking industries are two of the more important Canadian industries; in value of products the milling industry has been among the first six Canadian industries since the War. In 1930, the gross value of production of the flour milling industry, amounted to \$125,000,000. The value added by production, that is, deducting the cost of the raw material, was \$22,000,000. Similar figures for the bakery industry were \$74,000,000 gross, or \$37,000,000 net. Wages paid in the milling industry were approximately \$4,000,000 and in the baking industry, \$17,000,000.

2. THE MILLING INDUSTRY.

a. *Development.*

The development of the flour milling industry parallels the development of the wheat areas of the West. The extension of railways brought with it storage systems for wheat and, in conjunction with these, large flour mills designed to process the wheat en route to the Eastern and overseas markets. Prior to this development, milling had been a small local industry, largely operated on a custom basis. The farmer teamed his own wheat to the mill, and the product was sold locally.

It would give a false idea of the existing picture to imply that the development of the large mills has put the small ones out of business. The small local mill persists and appears to hold certain competitive advantages over the large. Nevertheless, in 1932, of 394 flour mills operating in Canada, 22 produced between two-thirds and three-quarters of the total flour production. Custom grinding now accounts for only about 5 per cent of the total quantity of flour produced.

The following table illustrates the present situation:—

CAPACITY OF MILLS AND NUMBER IN EACH CLASS, 1932

Daily capacity (barrels)	Number of mills	Percentage of total capacity
Over 1,200.....	22	71.4
300-800.....	16	7.6
110-275.....	46	6.8
100.....	49	4.4
6-95.....	261	9.8

The development of large-scale milling brought with it the development of equally large-scale selling organizations.

Though consolidation and expansion had been under way before the War, the demand for food supplies by the combatants from 1914 to 1918 and the high prices for wheat and flour resulted in the continuance of this policy. The milling companies made large profits and at the end of the War, found themselves possessed of extensive liquid surpluses. Milling had become a major industry. Development continued after 1918 and at the end of the year 1921, it occupied first position among Canadian manufacturing industries, with nearly 7 per cent of the value of the total Canadian industrial production.

It is now possible to say that, in 1921, the mills should have adopted the policy of applying their liquid surpluses to the writing-off of obsolete plants and to the reduction of the then existing capacity. Had this been done and capacity reduced by at least 40 per cent, it is possible that the industry might have faced the lean years which were to come on a better footing. The tendency, however, appears to have been to regard the discrepancy between capacity and markets as a temporary condition, and not until 1930 was any disposition shown to reduce capacity from the 1924-1929 level.

b. The Effect of Surplus Capacity.

The depression thus found the industry powerless to control its production or to avoid the bitter competition resulting from the desire and necessity of individual companies to operate to as large capacity as possible. This intensified competition brought general confusion which was aggravated by the fact that the larger companies, in their efforts to assure themselves of markets for the disposal of their flour, tried to secure control of the baking business in the metropolitan centres of Canada. Large investments made in bakeries carried the competitive situation which already existed in milling, into baking. Heavy losses were incurred and the mills found it necessary frequently to absorb these losses, advance further moneys or guarantee large bank loans. The condition of the milling industry is repeated in the baking industry; mill-controlled bakeries with a heavy surplus capacity, impaired capital, and extensive losses. It would appear that control of the baking organizations by the large milling units, has merely transferred to the baking industry the inherent weakness of

the milling. It may also be remarked here that, as pointed out below, the domestic demand for flour is fairly constant from year to year and that the efforts of companies to increase their sales means no total increase in consumption and therefore no utilization of excess capacity, but at the most a simple transference of business from one company to another.

We do not feel, however, that the existing unsatisfactory condition of the milling industry, as disclosed by the inquiries of the commission, can be attributed solely, or even primarily to the depression. There has been no great falling off in the consumption of flour as the demand for this commodity is almost completely inelastic. The price situation is relatively satisfactory as we shall notice later; nor has the export trade in flour declined as much as the exports of many other manufactured products. In short the present condition of the industry can largely be attributed to surplus milling capacity and to the failure to make the necessary adjustments between supply and demand.

Surplus capacity was in existence at the outbreak of the War and, though as we have seen, there was a great demand for flour during the war years, it cannot be said that over-expansion was solely the result of the effort to take care of war needs. It is equally inaccurate to state that surplus capacity was the result of steps to take care of a post-war increase in exports, which was later wiped out by changing conditions.

c. Surplus Capacity and Exports.

The volume of exports of flour in the years 1922 to 1929 was in each year approximately the same or slightly greater than in 1918 and from one to two million barrels higher than in the war year of 1917. Total capacity in 1919 was 43 million barrels, total production 18 million, total exports 10 million, total domestic consumption 8 million, and surplus of capacity over production 25 million barrels.

If this surplus capacity was built up as is sometimes stated to care for an export trade, it was for an export trade which has never existed and which there has never been any adequate reason to believe would materialize. The table below of *Capacity, Production and Exports of Flour Mills* reveals the situation very clearly. In the fourteen years shown from 1919 to 1932 inclusive actual production in nine years was less than half capacity and only in the peak year 1924 did it reach 57 per cent of capacity. Domestic consumption remained fairly constant over the whole period and exports, until 1929. In exports, however, there is shown a falling off from 10·7 million barrels in 1928 to 5·6 million in 1933.

CAPACITY, PRODUCTION, AND EXPORTS OF FLOUR MILLS IN CANADA, 1917-1934

(Millions of Barrels)

Year	No. of Mills	Yearly Capacity ¹	Wheat Flour Production	Per cent Production of Capacity	Exports	Surplus of Capacity over Production	Flour Available for Domestic Consumption ³
	1	2	3	4	5	6	7
1917 ²			17.7		8.8		8.9
1918			17.9		10.1		7.8
				per cent			
1919		42.9	17.8	41.5	10.1	25.1	7.7
1920		40.9	13.1	32.1	4.7	27.8	8.4
1921	582	39.9	15.3	38.3	7.3	24.7	8.0
1922	434	40.8	18.1	44.8	9.5	22.7	8.6
1923	560	38.7	19.1	49.4	11.2	19.6	7.9
1924	457	37.1	21.1	56.9	11.5	15.9	9.6
1925	455	36.7	17.8	48.4	10.3	18.9	7.5
1926	442	36.0	19.1	53.0	10.5	16.9	8.6
1927	431	37.0	18.8	50.8	9.3	18.2	9.5
1928	423	36.7	20.4	55.5	10.7	16.3	9.7
1929	409	37.3	19.8	53.0	9.6	17.5	10.2
1930	383	35.7	15.6	43.5	7.5	20.1	8.1
1931	372	34.1	14.9	43.7	5.7	19.2	9.2
1932	394	36.7	14.9	44.1	5.1	21.8	9.8
1933	413	32.1	15.2	47.4	5.6	16.9	9.6
1934	447	32.0	14.7	45.6	5.1	17.3	9.6
Total 1919-1934		527.5	245.6		122.9	281.9	112.7
Average 1919-1934		37.7	17.5	46.5	8.8	20.1	8.1

¹ Yearly Capacity if calculated on a basis of 304 days to the year.² Capacity of mills not available for these years. Separate statistics not collected for flour mills prior to 1921. Included under flour and feed mills.³ Flour available for domestic consumption is obtained by deducting Exports from Production.

It should be noted that while Canadian exports of flour have shown a decline of three to four million barrels annually from the high levels of the years 1923-28, world imports have decreased by 15 million barrels in the same period. The imports of the British Empire, however, have remained fairly constant throughout this period and the Canadian share of those imports has increased from 51 per cent in 1926 to 78 per cent in 1933.

The reason for this decline of exports of flour to non-Empire countries has been summarized by the Commercial Intelligence Service of the Department of Trade and Commerce and was given to us in evidence as follows:—

(a) Restrictions imposed on the mills in regard to the milling of foreign wheat, and in the general matter of blending of domestic flour; (b) the spread in prices between Canadian and other varieties at times apparent, even where imports are allowed and apart from restrictions imposed by the countries concerned; (c) prohibitive or high tariffs, (e.g. Germany); (d) difficulty in allotment of foreign exchange to pay for imports; (e) purchases from neighbouring countries through "local" clearing arrangements or other credit facilities; (f) the adoption of the quota import system by some European countries, (e.g., France); (g) the desire to protect agricultural interests under government monopolies which cover the import of flour and to impose restrictions by the setting up of syndicates or otherwise, (e.g., Czecho-Slovakia).

It is contended that the sale of Canadian flour in foreign markets creates a demand for Canadian wheat and thereby increases exports of the latter. The argument is that the demand for Canadian flour, as a result of its superior quality, forces foreign mills to meet the competition by grinding Canadian wheat. Most

Canadian flour exported, however, is blended in use with inferior flour from native wheats. The demand for Canadian wheat and flour seems rather to be a question of the amount necessary to bring the ultimate mixture up to a certain standard of baking quality. This suggests that the world demand for wheat and flour of the Canadian type is also comparatively inelastic and that barring absolute prohibition even were they more highly priced in the world market in relation to the prices of other wheats and flours, a certain minimum amount would probably be taken by foreign millers and bakers. This minimum figure, however, may not be as assured or as high as was once thought likely.

d. Surplus Capacity and Investment

Another approach to the question of surplus capacity is shown in the following table:—

Company	Fixed Assets used in business plus goodwill and less reserve for depreciation (Thousands of \$)	Daily capacity	Daily Production Average barrels	Fixed Assets and Goodwill, per barrel	
				Daily Capacity	Daily Production
	\$			\$	\$
Lake of the Woods.....	6,327	19,300	7,100	327	890
Maple Leaf.....	8,610	18,700	9,000	460	957
Ogilvie.....	2,792	16,275	7,300	171	382
Robin Hood.....	3,170	9,700	6,700	327	470
Western Canada.....	3,622	9,000	5,400	400	670

The effects of over-capacity may be seen in the last column of this table which shows that the Lake of the Woods and Maple Leaf Companies have, in 1933, an investment in relation to average production of flour almost double that of Robin Hood and Ogilvie Companies.

e. Operating Characteristics.

(1) Volume of Production.

Eliminating the question of surplus capacity and over-investment, the position of the milling industry compared with almost any other manufacturing industry in Canada, is enviable as regards actual volume of production. This relatively fortunate position may be seen from the fairly constant annual volume of production shown in column 3 in the table on page 89—*Wheat Flour Production*. Production in 1932 was 14·9 million barrels, approximately 2·5 million less than the average of 17·5 for the period. It is true that the gross value of production has declined from \$196,000,000 in 1928 to \$85,000,000 in 1932, but this is meaningless unless compared with the cost of materials used:

	Wheat Flour Production	Gross Value of Product	Cost of Materials	Value added in milling	Total wages Paid
	(In Million barrels)	(In Millions of dollars)	(In Millions of dollars)	(In Millions of dollars)	(In Millions of dollars)
		\$	\$	\$	\$
1911.....		82.5	57.2	25.3	
1915.....		115.5	92.9	21.6	
1917.....	17.7	224.2	183.6	40.6	
1918.....	17.9	262.5	218.6	43.9	
1919.....	17.8	262.8	229.8	33.0	
1920.....	13.1	239.3	205.7	33.6	
1921.....	15.3	194.8	164.6	30.2	5.1
1922.....	18.1	166.9	136.7	30.2	4.6
1923.....	19.1	154.9	128.5	26.4	4.6
1924.....	21.1	180.8	150.0	30.8	5.0
1925.....	17.8	187.9	163.1	24.8	4.4
1926.....	19.1	189.6	163.9	25.7	4.3
1927.....	18.8	191.7	162.7	28.0	4.5
1928.....	20.4	195.7	183.0	30.7	4.7
1929.....	19.8	181.1	150.8	30.3	4.5
1930.....	15.6	144.9	119.7	25.2	4.0
1931.....	14.9	95.7	71.8	23.9	3.4
1932.....	14.9	84.7	63.2	21.5	3.1

It will be noticed from the above table that the decrease in wage costs has been proportionately greater than the decrease in the volume of production. It amounts, in fact, to an actual decrease in the wages cost per barrel of flour milled.

(2) Conversion costs.

Analysis of the cost structure of the milling industry is difficult because of the variation in accounting systems used by the various companies. The statistics derived by the auditors from the returns to questionnaires show a surprising variation between companies in conversion cost per barrel, and particularly in the item of wages. Conversion cost for the "Big Five," including certain warehouse costs but exclusive of depreciation, appear to have been in the neighbourhood of 27 cents per barrel in 1933, with a range from 25 cents to 31 cents. Mill wage cost per barrel for the same year appears to have ranged from 11 cents or 12 cents per barrel, shown by the Maple Leaf and Robin Hood Companies, to 30 cents or 40 cents or more by some of the smaller companies, although it is not certain to what extent these figures are comparable. For the "Big Five," wage costs appear to account for somewhat over one-half of the total cost of conversion. The following table shows the breakdown of conversion costs for the year 1933:—

BREAKDOWN OF CONVERSION COSTS, 1933

"BIG FIVE"

	Percentage of conversion costs
Salaries and Wages.....	51
Taxes.....	8
Insurance on Buildings and Machinery.....	3
Repairs to Buildings and Machinery.....	9
Power, Light, Heat and Water.....	21
Insurance—General.....	1
Miscellaneous.....	7
	<hr/> 100

The importance to the mills of increasing production and the incentive to increasing sales even at low prices arises from the fact that industry operates under conditions of decreasing costs. This is especially true of the large mill, where each additional increment of production brings a lowering of costs per unit, up to the maximum capacity of the mill. The principle is worth illustrating because of its effect on sales policy.

The following table shows the variation in overhead costs per barrel with variation in output in a hypothetical mill, which has overhead costs of \$250,000 per year and a maximum capacity of 3,000,000 barrels.

Production (barrels)	Overhead total	Overhead per barrel
	\$	cents
500,000.....	250,000	50
1,000,000.....	250,000	25
2,000,000.....	250,000	12·5
3,000,000.....	250,000	8·3

It will be seen that if this mill is selling 1,000,000 barrels annually in the domestic market and then is able to dispose of another 1,000,000 in the export trade, not only can it do so at a reduction of 12·5 cents under the domestic price, but it now has a leeway of 12·5 cents per barrel on its sales in the domestic market.

(3) *Price Spreads Between Wheat, Flour and Bread.*

The following table on price spreads between wheat and flour, flour and bread, and wheat and bread has been compiled from price figures provided by the Dominion Bureau of Statistics. It was argued by a representative of the milling industry that the increased spread between wheat and flour in the post-war years might be attributed to higher wages, but this seems improbable. A more important factor appears to be the amount realized from the sale of mill offals which fluctuated considerably in price during the period, amounting for example to approximately 96 cents per barrel in 1929 as against 41 cents in 1933. It may also be accounted for in part by a variation in the cost of bags and in lake and rail freight rates on wheat and flour, but as no information was presented to show the effect of these variations it is not clear what net return the mills received on an average to cover their actual expenses of milling and selling.

There was an increase in the spread between flour and bread prices from 2·33 cents per pound in 1916 to 5·13 cents per pound in 1930, which is equal to 4·2 cents per one and one-half pound loaf. This may, in part, be attributable to increased costs of other ingredients, to higher wage costs and to the expense of wrapping bread, which did not obtain in the earlier years. While the statistical information available does not make possible a definite statement, it seems likely that higher costs of selling account for a considerable part of this increase.

SPREADS BETWEEN THE AVERAGE YEARLY PRICES OF ONE POUND OF WHEAT, FLOUR USED IN ONE POUND OF BREAD, AND ONE POUND OF BREAD, 1913-1933¹

Year	Spreads between		
	Wheat and Flour	Flour and Bread	Wheat and Bread
	cts.	cts.	cts.
1913.....	0.33	2.40	2.73
1914.....	0.32	2.31	2.63
1915.....	0.32	2.25	2.57
1916.....	0.37	2.33	2.70
1917.....	0.40	2.93	3.33
1918.....	0.43	3.67	4.10
1919.....	0.27	3.86	4.13
1920.....	0.39	4.36	4.75
1921.....	0.66	4.69	5.35
1922.....	0.58	4.25	4.83
1923.....	0.56	4.34	4.90
1924.....	0.44	4.34	4.78
1925.....	0.57	4.50	5.07
1926.....	0.58	4.52	5.10
1927.....	0.41	4.83	5.23
1928.....	0.40	5.04	5.45
1929.....	0.48	5.09	5.57
1930.....	0.80	5.13	5.93
1931.....	0.63	4.69	5.32
1932.....	0.63	4.34	4.97
1933.....	0.64	4.04	4.68

¹ Calculated on the basis of 270 lbs. of wheat at Fort William—196 lbs. flour, Montreal—270 lbs. bread in 69 locations.

f. Competition in the Industry

We now come to the question of competition between mills. It might reasonably have been expected that such competition would have more greatly reduced the surplus capacity that has persisted over so many years. Theoretically, it should have forced the industry to put its house in order, or by the elimination through bankruptcy of inefficient and high cost companies, have reduced the number of large mills to the point where fuller utilization of the milling facilities of the more efficient would have resulted in an economically sound industry.

The investigation by the auditors, however, indicates that despite excess capacity and the desire of mills to increase production and so lower milling costs by the fuller utilization of their capital, competition had not, prior to 1932, forced prices down as might have been anticipated under such conditions. Indeed, in spite of the fact that milling capital had been only half utilized, substantial earnings were maintained by most companies throughout this period and, in fact, until the past two or three years. Unfortunately the form of the data supplied by the millers and the diversity of accounting systems makes a comparative study impossible. The returns filed by the companies in answer to the questionnaires of the investigators include profits and losses from hedging and speculation as well as from affiliated activities such as elevators, cereal plants, bag factories and other allied enterprises, and render impossible the isolation of income from milling activities alone. It is unfortunate, to say the least, that, in connection with an industry of such vital importance as milling, complex and diverse accounting systems make it impossible to analyse satisfactorily the various factors entering into the cost of flour, and hence bread.

Although the honorary president of the Canadian National Millers' Association states in his evidence that the Combines Investigation Act, by

prohibiting price fixing, prevented the industry from getting together to improve conditions, there is evidence that free price competition between mills has not existed to the extent which might have been expected. In fact the uniformity of the price lists issued by milling companies, members of the Canadian National Millers' Association, points to the existence of some form of price understanding throughout this period.

Competition between the larger milling companies has mainly taken other forms, such as reaching out into the bakery business to secure an assured market for flour and maintaining expensive sales organizations.

Selling and administration costs for the Big Five alone amounted to nearly \$3,000,000 in 1933, a little over 35 cents a barrel or 11.3 per cent of the total costs. It has not been possible to extract the charges relating to selling alone, but it appears probable that they average about 20 cents per barrel and certainly not less than 16 cents, over both domestic and export business. When it is considered that a large proportion of the volume is export business obtained at relatively small cost, and a substantial amount is controlled bakery business obtained without any selling cost, it is apparent that the expense of selling in respect to other domestic business is relatively high—probably double the figures mentioned above. For a staple commodity such as flour this appears excessive. It is understood that the members of the Canadian National Millers' Association have established a grade relationship between their different brands, which would indicate that the development of consumer standards for flour should be a comparatively simple matter; we have therefore recommended in chapter viii that early consideration be given to the development of such standards believing that the effect will be to eliminate some of the unnecessary advertising and selling costs and stimulate price competition in the industry.

g. Hedging and Speculation

The questions of hedging and speculation are of great importance in the milling industry. The practice of hedging all transactions insures the milling company against loss should a drop in wheat prices cause a fall in the value of stocks of flour and wheat on hand. When a milling company carries any wheat without having made a sale of the same quantity for future delivery it is speculating on the probable increase in wheat prices. Similarly, if a sale of flour for future delivery is not covered by a purchase of wheat for future delivery, the mill is speculating on the probable fall in the price of wheat. In order to ascertain the practice of mills in hedging and speculation a questionnaire was circulated to a number of mills and from the data submitted it is evident that some companies, as a matter of policy, carry an open position on the market, in some cases long and in others, short. It is impossible, however, to determine to what extent these operations affected the profit or loss of mills, though information furnished by some of the mills indicated that heavy losses were sustained in 1930 and 1931 through speculation.

An extreme example of the effect market speculation may have on the financial position of shareholders' equities of a company is shown in the consolidated profit and loss account of the Maple Leaf Milling Company for the sixteen months ending July 31, 1930, in which this item appears:—

Losses from operations before providing reserves as shown
below, but including losses from unauthorized speculation,
\$3,031,320.63.

It is not possible for any mill completely to cover possible losses from price fluctuations by hedging but we are confronted, in this industry, not only with a failure to hedge completely but also with actual speculation on the exchanges. We feel strongly that milling companies should not be permitted

to make unauthorized use of their shareholders' money in this way; also that some form of publicity of a company's position in the market and of its commitments should be provided for and that such information should be available at all times to the shareholders.

h. Recommendations and Conclusions

The recommendations for the improvement of conditions in the milling industry made in evidence before the Commission ranged from government control and nationalization to all forms of self control and rationalization, none of them very well worked out or coherent. The honorary president of the Canadian National Millers' Association indicated that, in his opinion, remedial measures would have to come from the industry itself, but would require some method of enforcement outside the industry. The following extracts from his evidence may be cited:

By the Chairman:

- Q. Have you any suggestions to make outside of the industry itself remedying the situation?
- A. I do not think I have, I do not know of anything I know that would be acceptable.

By Hon. Mr. Stevens:

- Q. Do you think it is possible, Mr. Short, after its efforts of the last few years to achieve a condition of unity of opinion through action by the industry itself?
- A. No, there would have to be a big stick of some sort.
- Q. Do you think that if the government or parliament erected in some form some body of reference to which resort could be had that it would be of assistance to you?
- A. I think it would, if it was a body constituted in such a fashion that the millers themselves could have confidence in it.

By the Chairman:

- Q. Mr. Short, if in the administration of the Combines Act, as it is or amended, if there was an official or a board to whom the members of an industry proposing to do something could submit their proposals and get a ruling as to whether or not it was contrary to the provisions of the Act, would that be of any assistance?
- A. It would be very welcome by the milling industry.
- Q. Would that apply to all industries?
- A. I imagine it would apply to all industries and help them a lot.
- Q. As I apprehend your evidence part of the difficulty is apprehension as to whether or not certain actions would be deemed to be an offence under the Combines Act.
- A. I would say positively that I have encountered that mentality on the part of millers, of more than one man in that position.

By Mr. Ilsley:

- Q. The course of conduct always takes the form of an attempt to fix prices?
- A. That is true.
- Q. Yes, in our practice in Canada we get together and fix prices, agree to charge the public certain uniform prices, and that is the kind of thing the Combines Act prevents them from doing, and in my judgment ought to prevent them from doing.
- A. And I go further than that, Mr. Ilsley, and say that it is problematical whether or not any agreement between the mills that did not carry with it a price-fixing provision would be satisfactory to all.

There is nothing in the above that is very clear cut or definite as a solution for the industry's difficulties. Yet some solution must be found for milling is a basic industry, supplying one of the essentials of life, and it is imperative, in the interests of the public, that it should be operated as efficiently as possible.

The evidence presented before us and the investigations carried out reveal that the condition of the industry today is serious and that its solution is not to be found in the return of additional flour export; that the large milling corporations to survive must reorganize their capital structure on a basis consistent with present demand and reasonable expectation; and that failure to take such steps can only lead, in a short time, to bankruptcy, the responsibility for which must then be borne by those directing the companies affected.

Any scheme of re-organization of the milling and baking industries, if it is to succeed, must be based on a writing-off of the capital value of surplus capacity. Such reorganization may be effected by the companies themselves or will come eventually as the result of bankruptcies. Given conditions of free price competition, the latter alternative cannot be held off much longer. The best interests of the consuming public might be served by letting this process take its course; allowing the excess capacity to be liquidated and capitalizations reduced to a reasonable amount on which interests and dividends could be paid.

When such re-organization is affected, free price competition between mills should be restored to permit the elimination of the inefficient mills and consequent reduction of surplus capacities. It is recognized that the period of adjustment would be trying, but serious ailments require drastic remedies.

We feel that any attempt to meet the problem created by surplus capacity, by the establishment of production quotas and the allocation of markets with the retention of existing mills at half capacity, apparently contemplated by some of the advocates of "rationalization," would only be to perpetuate the existing uneconomic organization of the industry. The only gain which could be anticipated from such a scheme would be the savings in selling and administration costs, a gain incommensurate in this case with the dangers inherent in the creation of a cartel or combine with a vested interest in the *status quo* and therefore committed to resisting change.

The only possible alternative which might be considered is, not some scheme capacity over a twenty-year period it is evident that the public and not the industry has been bearing the burden of its cost. There can be no possible argument for the government to take over this burden; it can best see that price competition is maintained between milling companies and allow the resulting situation to work itself out by the elimination of the inefficient.

The only possible alternative which might be considered is, not home scheme of rationalization designed to save the industry at the expense of the public, but the complete regulation and control of the industry, or at least of the large mills, by the Government. If those who direct the industry persist in maintaining present costly structures and capacities to the detriment of the shareholders and, ultimately, the general public, serious consideration would have to be given to the acceptance of this alternative. At present, however, we feel that no adequate reason has been advanced to justify government intervention, and that it is undesirable for the Government to interfere in the internal problems of these large corporations. If, and when necessary, such intervention might be achieved by pooling the resources of all large mills, forming one large company, with assets written down to the actual value of the facilities necessary for carrying on the industry, closing the high cost mills, consolidating selling and shipping organizations and allowing the industry to operate as a monopoly under government control of prices. It would be anticipated that the small mills would be able to continue in competition because of the advantages they possess in their local markets, but they might be given the option of selling out to the re-organization at a valuation based on profitably employed capital. There is

no reason why a high-cost small mill should receive more favourable treatment on account of its smallness than is given a large mill. We do not put this forward as a recommendation but as an emergency alternative. It should be adopted only with full realization of the difficulties involved.

So far as price discrimination and other unfair practices in the industry are concerned, the information that we received was scanty. It was alleged both that milling companies had sold flour at lower prices to controlled bakeries than to independents, and also that independents had secured lower prices than mill-controlled bakeries. Complaints of other forms of price discrimination were received but the evidence is not sufficient either to prove or disprove them. The control and where necessary, the prohibition of such practices can, we feel, be left to the Federal Trade and Industry Commission recommended later in this Report.

3. THE BAKING INDUSTRY

a. The Relation between the Milling and Baking Industries.

Until the end of the War, the baking industry was one of small independent establishments, with small capital operating locally, and on the whole a stable, moderately profitable enterprise. After the War the small baker encountered serious difficulties. It is not intended to imply that the local, independent bakery disappeared during this period. Many of the smaller independents had retired from, or been forced out of operation, but the bulk of the baking business (between one-half to two-thirds) continued in the hands of the independents of moderate and large size. There has always been a fairly high mortality among small bakeries, as in all small businesses.

The depression has, to some extent restored the small independent baker, although his condition is frequently desperate. Hard times brought the establishment of numerous small shops opened by bakers who were unable to obtain employment with established companies. These were frequently very crude and labour costs were cut to a mere subsistence for the owner-operator. The quantity of bread produced by any one of these would be small and their combined output in any locality moderate but the sale of bread at the low prices necessary to dispose of their product forced the larger plants to keep their prices low to prevent an increase in the number of such establishment.

The milling industry to-day controls a majority of the large baking companies of the country and has a financial interest in a substantial number of other bakeries. The mill-controlled bakeries alone supply approximately one-third of the domestic demand for baker's bread. Bakeries absorb approximately one-third of the domestic flour production and the existence of these inter-relationships between mills and bakeries results in the removal from the competitive flour market of a substantial demand for flour.

It has been suggested to us that the existing unprofitable condition of the baking industry is to be attributed to this relationship because of the inducement to the milling industry to expand flour sales by expanding bread sales of controlled bakeries.

It is difficult to confirm or disprove this, especially as the development of chain-store bakeries (as distinct from bakery chains) amid the general confusion of the depression makes the untangling of cause and effect well-nigh impossible. On the whole, however, we feel that mill-control has been a complicating and disorganizing factor. The existing high cost of selling and delivery is also attributed to the competition engendered by the mill-controlled bakery consolidations.

b. Mill-Controlled Bakeries.

The largest chain bakery organization operating in Canada, the Canada Bread Co., Limited, was organized in 1911. Until 1925 however, bakery chains were not an important factor in the baking industry. Since that year a number have come into existence, most of them controlled by one or other of the big milling companies.

The Lake of the Woods Company operates through its subsidiaries the Inter-City Baking Company and the Inter-City Western Bakeries, and their subsidiaries, some 18 companies with plants in 14 cities, from Quebec west.

The Maple Leaf Milling Company, through its subsidiaries the Canada Bread Company, Canadian Bakeries Limited, and Eastern Bakeries Limited, operate some 38 bakeries in 33 cities across Canada and also controls Dominion Bakeries, the plants of which are leased to other companies.

Ogilvie Flour Mills controls, through its subsidiaries, the Consolidated Bakeries, the Northern Bakeries, the McGavin Companies, the National System of Baking, and three others, some 40 companies operating in 27 cities.

Western Canada Flour Mills controls, through the Purity Companies, the General Baking Company, the Brusons Companies, and 8 others, some 25 bakeries operating in 18 cities.

The chain-store bakery is an additional development. In 1929, a Toronto chain store set up its own bakery and that store has since kept its retail prices one to two cents per loaf lower than other bakeries. It also brought out a grade two bread at a substantially lower price. In the first two years of operation this bakery made substantial profits both on bread and cake. In 1932 it lost rather heavily on bread but made up the losses on cake. In 1933 it had a net loss on both.

In 1929 also, a Montreal chain-store bakery commenced operations, producing one grade of bread to sell at ten cents, or three cents below prevailing prices. When other bakeries met this competition with grade two bread at 10 cents the chain store cut its price to 8½ cents. There followed a period of competitive price cutting in which the chain store maintained its price position.

Second grade bread is, in itself, a form of price cutting, for examination of costs of production reveal that although the difference in retail price is from one to two cents a loaf, the difference in cost is not over one-half cent.

It may be said in defence of the cutting of bread prices by chain stores that they can afford to sell two or three cents per loaf below the price delivered from the bakery wagon. Cost of delivery and selling appear to be in the neighbourhood of three cents per loaf and are, of course, not incurred by the chain store. It is true that bread may be delivered together with other groceries, but the increased total delivery costs of the store are probably not appreciably increased by such delivery and a great deal of bread is sold over the counter.

The use of bread as a loss leader, and its sale below cost of production by a retail store in order to attract customers is, however, unfair, and if it were a common practice would be a serious menace to the bakery business, as the baker, producing only one type of product, is not able to attract customers by the same methods. His chief product is bread, and he has not a sufficient variety of other products on which a profit might be made to compensate for losses made on bread.

A distinction has been made between the sale of bread at retail stores, and particularly chain stores, below the price delivered from the wagon, which appears reasonable in view of the costs of delivery and selling and bread used as a loss leader. The former, in the opinion of the Commission, is a legitimate business practice; the latter, if it should become general, will require some form of public regulation.

c. Surplus Capacity in the Baking Industry.

Surplus capacity is unfortunately as characteristic of the baking as of the milling industry. Information is not available to indicate when the condition first came into being. The Report of the Registrar of Combines into the Baking Industry, 1931, shows that a large surplus capacity existed in 1929. The nature of the baking industry makes it impossible to secure such statistics of production and capacity as were obtained for the milling industry, but as a result of certain investigations we conducted some estimates have been derived which it is believed reflect the actual situation reasonably well.

The estimates below refer to the year 1931, as this is the latest period for which the Dominion Bureau of Statistics has been able to provide complete reports. No material change has occurred up to 1933, except that the capacity of mill-controlled bakeries has been reduced by approximately 20 million pounds per annum, by the transfer of some of those bakeries back to private control and the disposal of plants by one of the mill-controlled chains. At the same time, total production of mill-controlled bakeries showed a decline of 36 million pounds, half of which might be attributed to the same circumstances.

The total capacity for 92 mill-controlled bakeries in 1931 was estimated at 1,114 million pounds per annum. The bread actually produced by these plants, however, amounted to only 305 million pounds or 27 per cent of the actual capacity. The total production of bakers bread in Canada for that year amounted to 943 million pounds. If it is assumed that the ratio of capacity to production of the mill-controlled bakeries holds for the independents and chain store bakeries, the total capacity of all bakery plants in Canada must be approximately 3,000 million pounds or between three and four times the production. This estimate is probably high and may be taken as the maximum. The method of computation has been questioned on the grounds that it is computed on the basis of 24 hours per day for 304 days per annum, and that the actual capacity of any bakery must be in excess of average production in order to cope with the bread requirements of long week-ends. On the other hand, some bakeries have stated that despite the fact that their plants are actually operating 24 hours a day throughout the week they find themselves able to meet requirements of a long week-end by forcing the plant, although at the risk of a breakdown. As furnished by the mill-controlled bakeries, the estimate of "practical" capacity of all mill-controlled plants is about half that given above. This may be taken as the minimum and it may be concluded that the capacity of all bakeries in Canada is not less than 1,500 million pounds annually.

The production of bakers bread in Canada has declined slightly from the 1930 level. Figures are not available for the whole of Canada, but for Montreal and Ontario and the Western provinces there was a steady decline from 256 million pounds in 1930 to 203 million pounds in 1933 in mill-controlled plants. It is impossible to tell how much of this decline is due to the transference of trade to other bakeries and how much to home baking; possibly about half is accounted for by an increase in home baking during the depression, as there was a decline of 16 per cent in mill-controlled plants in 1932 from the 1930 amount. Whereas for all bakeries in Canada the decline in the same period was only 5.5 per cent. The evidence and statistics, although incomplete, indicate that a substantial part of the decrease in mill-controlled bakery production in Ontario and Montreal was secured by the chain-store bakeries in 1931, but was lost by them during the following year. It appears probable that by 1933 a substantial volume of business had passed from the mill-controlled and chain store bakeries into the hands of independents.

From the information available it is impossible to determine the relative importance of the influence exerted on the baking industry by the various factors already discussed, namely, surplus capacity, the introduction of chain-store

bakeries, the reappearance of small bakeries and the depression generally, but the combined efforts of these and possibly other factors, during the past four years, resulted in price reductions, mainly in the lower grades of bread, which exceeded the savings that had been effected in cost through wage reductions and other economies, and eventually in the sale of bread below cost in many centres, both by chain-store and other bakeries.

d. Competition in the Baking Industry.

In addition to over-capacity the difficulties encountered by the baking industry appear to have resulted from "unfair" competition and may be summarized as follows:—

1. The payment of low wages by certain bakers.
2. The use of unsanitary premises and equipment by certain bakers.
3. The sale of bakery products below actual cost.

Recommendations made to us contemplated the licensing of all bakers, the fixing of selling prices, the prohibition of the use of premiums, etc. It will be observed, however, that practically all of these proposals are designed to insure a greater protection for the bakers' investment with no additional protection to the consumer.

The period of intense competition, which apparently commenced about 1930, resulted in the production and sale of low grades of bread at prices considerably less than those of the first grade bread (although, in general, the difference in cost and quality between the various grades was relatively small), and an entirely wrong idea of the worth of bread was established in the public mind. At present there is no uniformity in the quality of different breads on the market and, except for trade names, the purchaser has no means of distinguishing between them. We have, therefore, included in our recommendations for consumer protection in chapter viii that consumer standards be provided for bread as soon as possible.

The surplus capacity of the baking industry was not created in response to a public demand, nor can it be held to have been developed to provide for future increased demand which might result from increased population. The construction or expansion of a bakery is a matter of months, not years, and may be allowed to accompany rather than precede demand. The real reason for the creation of surplus capacity was competition amongst the bakers themselves for a relatively fixed amount of bread business. The public should not be required to support a consequent excessive investment which serves no useful purpose.

e. Selling and Delivery Costs of Bread.

The heaviest burden placed on the public is the support of the very great duplication in the delivery systems of bakers. It is a common sight, particularly in the large centres, to see as many as six or even more bakers' wagons on the same street during the course of a few hours. Bread is an everyday necessity and should be available to the public at the lowest possible cost consistent with quality, reasonable service and a fair return to employees and investors. It cannot be said that the excessive duplication of bread delivery systems is a reasonable service.

In addition to the duplication mentioned, the evidence submitted to us indicates that selling and delivery costs have been burdened in recent years with increasing expenditures represented by the use of premiums, rebates, etc., the introducing of a morning delivery service; the sale of pies, cakes and buns; all of which had the effect of raising the status of the former driver to that of a salesman and consequently reducing the size of delivery routes. These expenditures were apparently incurred as a result of the aggressive competition among

bakers for the available business. This condition is very fully and clearly set forth in the McGregor Report, ⁽¹⁾ from which the following extract is made:—

“One effect of this factor of surplus capacity which has a bearing on the present inquiry is that it keeps before the management the constant necessity of increasing sales, and thereby leads to the aggressive sales policies which add so considerably to cost and benefit the general public so little. Most of this expensive sales effort is designed not so much to increase the consumption of bread as to persuade customers of rival concerns to “change bakers.” This can hardly be called a social benefit. The big bakery cannot be held solely responsible for the system. There is little doubt that the demand of the public, or of some portions of the public, for the development of such sales methods. This desire for change is capitalized by the shrewd sales manager: new varieties of bread are advertised under “catchy” names as being made by the latest scientific processes and as containing the last word in nutritive value; new shapes are turned out, bread ready sliced is introduced and special delivery services added, all in an effort to retain old customers and gain new ones from competitors. This is the kind of expensive competition to which we have become accustomed in connection with such articles as motor cars, radios and washing machines, with their constantly changing models, articles on which sales costs are high because of the time, ability and effort usually needed to complete a sale. There is less to be concerned about when this kind of competition is brought to bear upon non-essentials. But it is not desirable that bread, as one of the most important of the necessities of life, should be brought within this category. It does not require such selling efforts: the consumer does not need to be persuaded to buy bread, and should not be called upon to pay for one baker’s efforts to persuade the public to buy from him rather than from a competitor.”

Distinguished from other objects of distribution are certain essential staples such as bread, milk, gas, water and electricity, for which there is a continuous and regular demand, the sale of which is normally accomplished without the effort or expense involved in other lines of distribution. It is important that the consumer be protected from exploitation in the sale of these essentials by the maintenance of the price at a minimum consistent with adequate wages, reasonable service and a fair return on invested capital. These essentials are relatively more important to those with small incomes and, where income is very low, a small increase in price may seriously affect the standard of living and leave no margin for the purchasing of small comforts or luxuries.

f. Recommendations and Conclusions

Regulation of wages, labour conditions and sanitary standards of bakeries by public authorities will accomplish a great deal to improve the situation in the industry but the two major problems, surplus capacity and its consequence, excessive selling and delivery costs, will have to be solved before the industry can be regarded as satisfactory from a social point of view. No solution based on production quotas and the fixing of prices high enough to pay a return on the present capital should be tolerated. Under such conditions the elimination of competitive selling would be profitable to the bakeries with no return to the public. It would be better to tolerate the existing situation with the expectation that sooner or later competition would eliminate a number of the less efficient.

One avenue of escape might be found in the fostering of baking as a local industry. It has been argued, and there is much to support the view, that the most efficient unit of operation in the baking industry is the bakery of moderate

⁽¹⁾ Investigation into an Alleged Combine in the Bread-Baking Industry in Canada, Report of Registrar.

size, locally owned and operated. Certainly experience shows that a bakery of this type can operate economically, and that the gains from large-scale production, if any, are largely offset by increased delivery and selling charges.

Later in this Report we recommend the prohibition of price discrimination between customers of the same status. This should tend to prevent the practice reported of some large bakeries selling in the outside market at prices below those in the market nearer the bakery. The bakery in the small town would, therefore, to this extent, be protected against the unfair competition of his large-scale competitor.

It is clear from the evidence that baking is still a freely competitive industry. We are of the opinion that, aside from the necessary regulation of sanitary and labour conditions, the interests of the public can best be served by maintaining conditions not only of free but also fair competition. If all bakeries were forced to compete on a basis of approximate equality, we feel that the "fly-by-night" and "hole-in-the-wall" bakery, which has done so much harm in the past few years, would be eliminated, and that also the local bakery would have a fair chance to compete against the mill-controlled corporation bakeries.

Finally, we question the social or economic desirability of milling corporations controlling and operating bakeries. It has been a disorganizing development in both industries and the sooner the mills divest themselves of their controlled bakeries the better it will be for all concerned.

10. FURNITURE MANUFACTURING INDUSTRY

1. GENERAL CONDITIONS IN THE INDUSTRY

Our investigation of this industry was prompted by a number of complaints received about its depressed condition generally, and more specifically the effect of mass buying as a cause of this condition. The method of procedure followed by our investigator was to submit a form of questionnaire to the industry and to supplement the information received thereby by personal examination in plants of manufacturers. The furniture investigation was closely co-ordinated with our examination of department stores, which now are the largest customers of the industry.

According to the 1932 report of the Dominion Bureau of Statistics the industry in Canada embraced 308 plants representing an invested capital of nearly \$22,000,000. The output in 1932 was only \$12,000,000 and the 7,000 wage-earners employed received a total in wages of but \$3,250,000. These statistics reveal in a general way the depressed condition of the industry, and the indicated average annual wage of less than \$500 supports the general impression of low wages and short time employment.

The total of 308 plants included a number of very small units, 228 employing fewer than 10 employees and having a combined production of less than 10 per cent of the total output. We need only consider, therefore, the 80 remaining plants, among which the typical establishment represented in 1932 an invested capital of \$250,000, an annual output of \$135,000 and approximately 70 employees. In contrast to other industries reviewed by the Commission there appears to be among furniture manufacturers a relative freedom from monopolistic development. The industry is not dominated by any one company or group of companies and as a result of extreme competition, efforts to maintain profit margins during the past few years have been conspicuously unsuccessful. That the intensity of competition among manufacturers for the business of the few large buyers has resulted in lower wages is clear. The position of the wage-earner in this industry, however, is discussed more fully in chapter v.

The sales of the 80 largest furniture companies fell from \$29,500,000 in 1929 to a low of \$10,600,000 in 1933. An analysis of the operating statistics of

29 of these factories which in 1932 supplied a little over 50 per cent of the sales of the group indicates the major trends of the industry, as follows:—

	Sales	Working Capital	Net profit or net loss
	\$	\$	\$
1929.....	14,963,000		
1930.....	11,537,000	4,124,000	155,000 profit
1931.....	9,300,000	3,751,000	518,000 loss
1932.....	5,800,000	3,010,000	664,000 loss
1933.....	4,651,000	2,625,000	588,000 loss

The decrease in sales from 1929-1933 amounted to 69 per cent, probably because purchases of furniture are readily postponable, and, as a result of the losses, the working capital decreased sharply. The net loss in 1933 was equivalent to 12.6 per cent of sales and 10 per cent of the paid-up capital of these companies.

The physical volume of production is estimated to have decreased from 1930-1933 by 44 per cent, as compared with a decrease of 60 per cent in sales value. Even while demand was normal, the productive capacity of the furniture industry was not well balanced, so that this sudden drop in volume necessitated adjustments of the most painful kind. Surprising reductions have been accomplished in the overhead expenses, which are estimated to have declined over 40 per cent, from 1930-1933, but in spite of these economies the struggle for survival resulted in a heavy reduction in the return to labour. It was pointed out that during the depression nearly every furniture factory in the country was threatened with losses which could lead only to bankruptcy and the efforts of the individual operators to remain in business resulted in the reduction in the general level of furniture prices well below the cost of production.

2. MASS BUYING AND THE INDUSTRY

It has been suggested that the furniture industry before the depression had become seriously over-extended in the matter of productive capacity. Coincident, however, with the growth of furniture factories was a concentration in retail distribution which led to the elimination of more and more independent outlets. In the city of Winnipeg during the past 12 or 15 years approximately one furniture dealer per annum has ceased business and at the present time there remains only one dealer aside from the department stores. Many of these firms had been established for many years, but found themselves unable to compete with the department stores and went into bankruptcy. Thus, while the underlying causes of cut-throat competition were developing through over-expansion in the industry, the narrowing of the field of retail distribution was proceeding rapidly. When the purchasing power of the public decreased during the depression, therefore, it became of paramount importance to every manufacturer to sell to the department stores. The concentration of purchasing power in the hands of the latter undoubtedly intensified competition and accentuated the severity of the necessary adjustment.

As we have had occasion to say elsewhere, the effect of mass buying itself, as distinct from general economic conditions, is difficult accurately to distinguish and impossible to measure. It is only fair therefore to recognize the contention that the mass buyers—through their ability to buy in fairly large quantity if the price suits them, and by prompt cash payment—have afforded a temporary relief to certain manufacturers, who would otherwise have been forced to close down for lack of working capital and cash. The mass buyers, further, by forcing down retail furniture prices, may have increased generally the sales of furniture and therefore production and employment. But we have no informa-

tion about the extent to which a decrease in furniture prices has or would have increased consumer purchases, and we have no evidence that the mass buyers decreased their own gross profit margins on furniture sales, however they may have insisted on decreased wages for furniture workers and decreased profits for furniture manufacturers. Those manufacturers who survive the depression may, it is true, thank mass purchasers for this survival. But those, whose failure is only deferred, may thank mass purchasers for the loss of much of the equity that earlier failure might have left them.

Furniture manufacturers under present conditions are ready to accept prices which they know to be too low. The more dependent they are on one particular buyer the more inclined are they to yield on the question of prices. The harder the buyer presses, the more the manufacturer gives in. When a manufacturer is hard-pressed he has been willing to accept almost anything the buyer offers, even to the point where he fails to recover his total out-of-pocket costs of materials and wages. When a substantial part of the industry adopts this course, the general level of retail furniture prices drops to a point where it is practically impossible to operate, even on a cost basis.

3. CONCLUSIONS

In summary, this industry presents an illustration of a completely disorganized body of producers, for the most part privately financed, dominated by no one organization or group of companies. The field of retail distribution of the industry's product is, however, dominated by a few department stores, giving rise to a wide disparity in bargaining power between the producer and the distributor of furniture. The result of such disparity, combined with over-extension of productive facilities, has been to drive prices to a point well below the proper cost of production with a consequent impairment not only of the manufacturer's capital, but of the standard of living of the wage-earner.

A general adjustment in the price of manufactured commodities was, of course, necessary in view of business conditions, but there is little doubt that furniture prices have fallen more drastically than those of almost any other important industry.

The suggestion has been made that a remedy lies in granting the industry the right to impose some measure of regulation upon its members. We feel, however, that before it can reach a healthy condition some adjustment must be made in respect of surplus capacity. Self-regulation should not be permitted to operate in such a way that the cost of carrying unneeded plants should be passed on to the public through price agreements, production control, and such devices.

CHAPTER V

LABOUR AND WAGES

1. LABOUR'S SIGNIFICANCE AND THEORETICAL POSITION

1. INTRODUCTION

This chapter contends that the problems of labour and wages are simply one aspect of the more general problem of economic organization and policy. It stresses the social and economic significance of labour's welfare, mentions the theoretical considerations that explain some of the abuses revealed by the evidence, summarizes very briefly the present status of the wage-earner in the industries investigated, and proposes certain remedial measures. Underlying these detailed proposals is the recognition of two general considerations that we should like here to emphasize:

- a. the need for greater uniformity in Canadian labour conditions, labour legislation, and labour law administration;
- b. the need for continuous study of the problems involved. These cannot be solved by any single act of legislation. Their treatment calls for flexibility both in the determination of minor matters of policy and in continuous day-to-day administration.

The terms of reference of the Commission specifically commanded the investigation of—

. . . . the labour conditions prevailing in industries supplying the requirements of such chain and department store organizations, and the extent, if any, to which existing conditions have been brought about by the purchasing practices of such organizations, and the effect thereof upon the standard of living of those employed in such industries and organizations.

Labour conditions and standards of living in particular employments and places, however, are relative matters. They are relative not only to prevailing conditions and standards in other occupations and localities, but also to currently accepted notions or ideals of social decency or justice. They should be considered, also, in relation to the general problem of economic organization. It would be quite unfair, for instance, to single out certain chain and department store organizations for investigation, without emphasizing that such stores are but one manifestation of a deep-seated social tendency towards concentration—a tendency that has been facilitated by the development of the corporation and shows itself, in diverse forms, in every phase of economic life and in all modern countries. It would be impossible, further, to investigate labour conditions and wage rates in such stores without comparing them with conditions and wage rates in independent stores and without comparing both of these with manufacturing and other occupations. Moreover, it would be impracticable to investigate the influence of purchasing policies on labour conditions without giving due consideration to other economic and social forces that focus on the labour contract.

2. THE SOCIAL SIGNIFICANCE OF THE WAGE-EARNER

Two-thirds (2,565,000) of the total working population of Canada (3,923,000) are wage-earners. If agriculture, in which over a million people are employed chiefly as proprietors, were eliminated, the proportion would be raised

to nearly five-sixths. It is unnecessary to elaborate these figures or to emphasize further the predominant part played by the wage-earner in Canada's total production, or the extent to which the welfare of the country as a whole is associated with that of the wage-earning population. Canada's production of wealth and income depends on the morale and the efficiency of her workers.

It is now a commonplace of economic thought that the significance of the wage-earner is not confined to his activities as a producer. Production cannot continue without profitable markets; business activity of every sort ceases without prosperous buyers. Despite the importance of certain export markets, our own workers constitute the biggest market for Canadian products. On the stability of their income and purchasing power depend the profits of business enterprise. On their standard of living rests the possibility of commercial prosperity.

3. THE THEORETICAL POSITION OF THE WAGE-EARNER

The determination of wages and of labour relations is not sufficiently explained by the simple repetition of the formula "supply and demand." The forces of supply and demand are real and important but other influences—legal, sociological, technological, political—also exert their influence on the terms of any labour contract.

Mass buying, the focus of our inquiry, is one of the sociological factors. It is, however, only one manifestation of the growing development of what we have previously discussed under the name of "imperfect competition." There is a growing realization that the development of this type of competition modifies very considerably the possibility of continuing with a laissez-faire policy. Some social control of labour relations is necessary because of the usual disparity, in bargaining power between employers and employees, a disparity not unlike that between the bargaining power of large department and chain store organizations with that of the small manufacturers with whom they deal. Just as a big retail organization may enjoy an advantage because it purchases 50 to 75 per cent of the output of a clothing factory, so every employer normally enjoys an advantage because he purchases 100 per cent of the "output" of every worker.

Each employer starts his negotiation of the labour contract with the bargaining advantage of a mass buyer. The employer of even as few as fifty workers cares little whether he concludes a bargain with any one worker. To the employer it means only "a little more or a little less"; to the employee, it means "all or nothing." "One job or none" means infinitely more than "49 workers or 50" or "999 workers or 1,000." For this and other reasons, the worker starts his regular bargaining under the same handicap as any distress seller. Only by a fortuitous combination of circumstances will he receive the "full product of his labour." This is particularly true in Canada where territorial specialization and great distances limit the alternative opportunities of labour. What genuine opportunity of alternative employment has a Nova Scotian steel puddler who wishes to refuse the offer of the local steel company? How frequently can the coal miner of Nanaimo run over to Lethbridge or Sydney to see if he can get better terms?

Nevertheless, the development of personnel management and changing standards of social justice have put an institutional brake on the employers' exploitation of their bargaining advantage. In the long run, the efficiency of a factory depends in large measure on the efficiency, stability, and loyalty of its working force—which depend in turn on the wage-earners' income and standard of living, and on their feelings of self-respect and security. Enlightened employers, therefore, in periods of reasonable prosperity, moved alike by equity and expediency, are learning to share with labour some of the fruits of social progress. Normally,

it is becoming exceptional in a well-managed and efficient concern to find anything but good working conditions, and fairly, good wages and hours.

It is otherwise in the savage rout of a business depression. Long-run policies fall under the pressure of imminent disaster. Only the strongest and most intelligent firms can avoid the slashing of wages that losses seem to demand and widespread unemployment to permit.

There exists, too, always the continued threat to established standards from the "marginal employers." Especially in those industries, such as the manufacture of clothing which require little capital, a swarm of small employers try to eke out an existence or to struggle upward toward security by frank exploitation of labour. Unfair cut-throat competition found in most industries only in depression, seems to be the normal characteristics of such small-scale industries. They represent in the modern structure of large-scale production a survival from an earlier period, a survival that can threaten the foundation of the whole structure.

The bargaining advantage of the employer may be offset by the association of workers for collective bargaining. This is now recognized as necessary, proper, and almost inevitable. The modern corporation should conclude its labour contracts not with individuals, acting singly, but with individuals freely organized into correlatively strong associations, or unions, wisely led. When a corporate employer, as now commonly happens, is prepared to bargain also as a member of an employers' association which formulates a common policy, the need for trade union insistence on a "common rule" for labour, becomes even more pressing.

The balance of bargaining power can also often be restored, in certain particulars, by labour legislation. For the protection of the worker and of the fair employer against unfair competition, and for the protection of the state and society generally, most governments have found it necessary to set by law minimum standards of employment terms and conditions. These may not be able, without limit, to improve the conditions of *all* labour but, if wisely drafted, they are demonstrably able to set a bottom level below which unrestrained economic and other forces may not push labour. They are in no sense a questionable interference with "natural economic laws." They are simply a modification of the institutional framework within which these forces work. The game goes on as before, but the rules have been improved and the state, as referee, promises to enforce them.

The game, however, is often wider than the jurisdiction of any single legislature. The products of Ontario factories must compete with those of Quebec and, to the extent that trade is free, with the products of other factories throughout the world. It is necessary, therefore, in drafting and enforcing labour laws, to give due consideration to the standards of legislation and enforcement elsewhere, especially in competing jurisdictions. Some jurisdictions, in fact, by the toleration of unremedied abuses, foster what might be called unfair regional competition. Except for such proper variations as "climatic conditions and the imperfect development of industrial organization or other special circumstances" may demand it is necessary for labour legislation and enforcement to be substantially uniform in all the different jurisdictions or regions from which employers compete. It is for this reason that we need greater uniformity of labour conditions in Canada itself and should endeavour to co-operate more effectively with the International Labour Organization which was set up to facilitate the achievement of such uniformity on a world basis.

4. THE EFFECT OF MASS BUYING ON LABOUR

The evidence before the Commission proves that, in certain industries, the sweat shop still survives in Canada and that, more generally, unemployment and low wages have reduced many workers to a state of abject poverty. It is

difficult, however, accurately to measure the influence of mass buying on this situation. In another part of this report, special attention is given to the general range of problems which mass buying is alleged to have caused. In this discussion of labour and wages, we feel warranted in stating the conclusion that mass buyers—by their own cut-price sales, by their patronage of cut-price manufacturers, in some instances by the maintenance of oppressive working conditions in their own factories, and by their purchasing systems which force their own buyers to drive very hard bargains and to seek out distress sellers—have tended to intensify the inevitable effect of the depression on wage rates and working conditions. It is necessary to qualify this conclusion by stating also that inadequate managerial experience, ignorance of costs and unethical practices on the part of the manufacturers themselves, and the tolerance of inadequate labour legislation and administration by the community as a whole, must also share a large part of the responsibility for present deplorable conditions.

General economic forces outside the control of any individual or group—some extremists would say, outside the range of any social control at all—have produced a business collapse of almost unparalleled severity. But the resulting losses and hardships have not been shared by all alike. They have borne more heavily on certain exposed or vulnerable groups. Moreover, it is evident that some firms, even in profitable businesses, have capitalized the opportunity afforded by the depression to exploit others, and that the severity of the collapse has been intensified by certain unfair business practices and policies. We are of the opinion that, both with respect to labour and wage problems and with respect to the more general problems of business organization, some degree of remedial social control is not only desirable, but necessary.

Furthermore, it should be added that the mass buyers themselves claim that their business policies have tended to stabilize employment conditions during a difficult period. We feel, however, that on the whole, stabilization based on low and depressed wage levels in the long run causes more harm than good to labour and to industry generally.

2. PRESENT STATUS OF THE WAGE-EARNER IN THE INDUSTRIES INVESTIGATED

1. INTRODUCTION

The industries in which we have been ordered to investigate conditions fall into three main groups.¹ The first includes the needle trades, the leather boot and shoe, furniture and baking industries. In none of these has concentration developed very far. In each of them, the industry is characterized by the continuance of a large number of small plants, where the normal bargaining weakness of the worker is accentuated by the fact that the employer himself suffers a bargaining disadvantage in dealing with large-scale distributors. The group is one where cut-throat competition often rules.

The second group includes the flour milling, meat packing, fruit and vegetable canning, tobacco, agricultural implement, and rubber industries. In each of these, concentration has brought the entire industry under the dominance of a few large-scale firms, and the average unit of operation is larger than the average for manufacturing in general. In this group, the outstanding characteristic is the semi-monopolistic power of a few large firms to exploit either the primary producer or the worker.

The third group is composed of trades and industries where a few very large and powerful firms compete with a very large number of independent small-scale concerns. This group includes the textile industries and the department and chain stores.

¹See Annex V, Tables 29 and 30 for size of establishments and average annual wages in some of the industries investigated.

Any discussion of wage and labour conditions in so many industries must, of necessity, be brief in a report of this length. However, more detailed information on these matters, as disclosed by the evidence, is to be found in the reports and memoranda collected in Annex V, to which we refer the interested reader.

One warning is necessary before proceeding further. In making comparisons of the "average annual earnings" figures, used in certain of the sections below, the following facts should be borne in mind.

In the first place, the average is greatly affected by the proportion of female workers in an industry, for in almost every case higher wages are paid to male employees. Another factor of importance is short-time employment. In the returns made to the Dominion Bureau of Statistics, manufacturers report the number of wage-earners employed on the fifteenth of each month or nearest representative date. The sum of the monthly employment figures is then divided by 12 in order to get the average annual employment. Manufacturers are also required to report the actual amount of wages paid during the year. The average annual earnings per wage-earner are then obtained by dividing total wage payments by the average number of persons employed during the year. Employees working only part of the month have, therefore, a tendency to depress the average for the plant and consequently for the industry. For this reason figures of average annual wages paid since 1930 are in most cases somewhat underestimated. Besides the limitations inherent in averages in general, average earnings are affected by both the decline in employment and the reductions in basic wage rates. In order to get a true picture of conditions, therefore, account should be taken of all the factors enumerated above.

The defects inherent in averages in general do not, however, seriously detract from their utility in comparing social and economic phenomena. These defects are more or less common to the statistics for all industries, and average figures become, therefore, convenient and substantially correct measures of the changes in one industry as compared with another.

2. NEEDLE TRADES

The first industry to which reference will be made, and which occupied much of our time and attention, is one which has always constituted a problem to those interested in the welfare of the worker, the needle trades industry.

Characterized by economic instability and excessive competition, with "contract shops" and "home workers" alongside the usual type of manufacturer, this industry, though it includes many progressive and socially minded members, has had on the whole a doubtful record. The evidence we have taken shows that in many cases this record is only too well deserved. More especially is this true of the small contract shops, where the contractor has no investment in raw materials and little in equipment, because space is rented and machines may be hired or bought on instalments.

In these small contract shops, one individual often tries to perform the functions of production manager, accountant, salesman, and, as might be expected, his standard of achievement is low. Elementary record-keeping is exceptional; cost accounting, unheard of; personnel management, unknown. Intense competition is reduced to a price-cutting basis which, in the absence of cost records, results in either business failure or the exploitation of labour, or frequently both.

Through price- and wage-cutting, these small firms maintain a precarious and temporary existence for themselves at a heavy social cost. Their low wages tend to reduce the level of wages elsewhere, to impair general purchasing power, and to increase relief costs. Their uneconomically low prices eagerly sought, if not dictated, by mass-buyers, endanger the solvency of more reputable and stable establishments and contribute to the general disorganization of the industry.

Normally, therefore, in the needle trades, even before the depression, employers suffered from unfair competition, low profits and frequent failure; employees, from irregular employment, followed by rush periods of long hours and, in the absence of effective legislation or trade union control, from undesirable working conditions and low wages. All these conditions have been intensified by the depression.

The absence of adequate records of wages and hours, although the keeping of these is generally required by law, and the frequent falsification of such records as were kept, made it impossible for our investigators to present their results in any uniform fashion, or for this report to summarize the conditions of the industry as a whole in a brief statistical statement.

Ample evidence was secured, however, to support the following summary contentions:—

- (1) *There are extreme variations in wage rates*; ranging from less than 5 cents per hour in a Quebec country home-work contract shop, to 65 cents in a Toronto union factory. These variations are of two main types; variations between factory levels and, even more important, variations between provincial levels.
- (2) *There are therefore extreme and unfair differences in cost*, “unfair” because they do not result from differences in efficiency of management. For example, the making of boys’ pants cost 25 cents per dozen in a Quebec country home workshop, \$1.50 in a union shop; men’s suits of comparable quality varied in direct labour cost from \$2.26 (Quebec country factory) to \$4.71 (Toronto non-union). Differences resulting from efficiency are desirable and healthy. Differences that result from exploitation cannot continue to be tolerated. Humane consideration for labour’s welfare, and economic consideration for the success of business enterprise alike condemn them. They produce intolerable conditions of employment and life, and create intolerable industrial chaos. In the long run, they profit not even the exploiter.
- (3) *Wage rates and earnings are often exceedingly low*. Quebec country home-workers probably cannot average 50 cents per day. Male piece-workers in one large Montreal factory averaged 16 cents per hour, less than the minimum of 18 cents for inexperienced females. One man of ten years’ experience worked 70 hours per week in a Montreal contract shop, to earn \$7 at 10 cents per hour. One man of four years’ experience earned \$3 per week, or 5.5 cents per hour in a Quebec country factory. In one Montreal factory, all workers, men and women together, averaged 25 cents per hour. In 1932, out of 115 men in two thoroughly good Toronto union shops, 57 earned for the year less than \$800; 88, less than \$1,000; only 27 over \$1,000; and only 2 over \$1,600.

It is bad enough to pay such wages as these. It is adding insult to injury to hand them to the workers, as is often done, in pay envelopes which, thoughtfully provided by banks, bear such encouraging advice as:

Think of to-morrow,
Divide your pay in two,
Take what you need to live,
Put the balance in safety.

If the clothing worker takes advantage of this helpful suggestion and “divides his pay in two,” his “thoughts of to-morrow” would hardly be such as to recommend him to the consideration of a bank director.

- (4) *Hours of employment are often oppressively long.* Thirteen hours a day, 60 hours a week, are not uncommon in rush periods. One man in a Toronto ladies' cloak contract shop, for nine consecutive weeks, worked over 16 hours per day; in this same shop, a woman often worked till midnight, 2 a.m. or 5 a.m. Eighteen, out of one group of 26 Toronto factories, reported frequent overtime.
- (5) *Frank exploitation of labour's weakness has been common.* Evidence has followed evidence with monotonous regularity before the Commission to show that, in many cases, the welfare of the worker is almost the last consideration that enters into the minds of employers in this industry.
- (6) *There are frequent and continuous violations of the laws about employment conditions, hours and wages.* This, in spite of the fact that the loopholes in and unsatisfactory administration of the laws themselves, would seem to permit a sufficient opportunity for legal avoidance of their obligations. Where the law is not actually broken, these loopholes are utilized to flout its intent and purpose. This way especially noticeable in respect to the "twenty per cent exemption" clause, the exceptions for "inexperienced" workers, and the obligation to keep adequate records. Factories which, by their ownership, management and resources, should have given the lead in the intelligent and broad-minded acceptance and enforcement of minimum wage regulations, have not been above evading, or in some cases, actually infringing these regulations. Especially is this true in respect to the clothing factories investigated in Victoriaville, Quebec.
- (7) Even where the physical working conditions were reasonably satisfactory, evidence was given to show that the female operatives were sometimes forced to work at such high pressure for continuous hours that the result on health and morale was deplorable.

With a full recognition of the problems that this industry has to meet, problems which have existed for years and which have only been intensified by mass buying and depressed conditions, and, without condemning every unit in the industry, we cannot, in frankness, refrain from stating that the labour and wage conditions in this branch of Canada's industrial activity are such as to merit the most emphatic condemnation. They should not be tolerated in any state that claims to call itself civilized.

To illustrate conditions in the industry generally, evidence might be given from that division of it which manufactures men's clothing. Because it is one of the better organized and less sweated of the needle trades, we can hardly be accused of searching for the most lurid evidence for purposes of illustration.

The statistics that have been made available have shown us that the worker in the clothing industry can expect neither comfort nor security; in many cases, he can, indeed, expect only hopeless poverty.

The following paragraphs taken from evidence received and describing typical "home work" conditions in this industry, prove the validity of the above assertion:

- (1) Four women, with husbands helping at night, making men's pants for L'Amoureux at 60 cents per dozen, out of which they paid for thread at a cost of 5 cents per dozen, making net earnings of 55 cents per dozen. The daily output of these workers was from $2\frac{1}{2}$ to 3 dozen.
- (2) Woman with daughter making boys' short pants for L'Amoureux at 30 cents per dozen, less 5 cents per dozen for thread. Output one dozen per day. These garments made under the union scale would cost at least \$1.50 per dozen in labour.

- (3) Woman making riding breeches at \$1.15 per dozen. Output, five garments per day. Men's four-pocket pants at 65 cents per dozen, making one dozen per day.
- (4) Woman making short pants for Blumenthal at 35 cents per dozen. Output one dozen per day.
- (5) Sub-contractor for Blumenthal receiving 80 cents to \$1.05 per dozen for men's pants. His wife and daughter were working at those garments and they stated that the work was let out to adjacent farm-houses at from 40 cents to 60 cents per dozen.

Low wage rates in this industry are accompanied by long and irregular hours. In Ontario, the legal limit is 60 hours per week, which can be exceeded by permit from the Department of Labour. The legal maximum in Quebec, for women and children, is 50 hours per week, but in the busy season hours range from 55 to 70.

In both provinces, indeed, by permission in special circumstances, workers may be given the privilege of working 72 hours per week. Although these laws are "relics of the dark ages of industrialism," and permit longer hours than any modern standard would sanction, they are often violated (especially by contractors, more especially by those in country districts) with impunity or at the cost of a slight fine. The laws do not apply to home workers, whose low rates encourage even longer hours than those above.

Summing up, we regret the necessity of reporting that wage and labour conditions in certain sections of the clothing industry can only be described as altogether deplorable. For this condition, fundamental weaknesses in the structure and methods of the industry are primarily responsible. These weaknesses have been revealed and intensified in some degree at least, by the pressure on the small manufacturers of mass buying and in a very large degree by general conditions of economic depression.

3. LEATHER BOOTS AND SHOES

This industry employs about 13,000 wage-earners; about 60 per cent male and 40 per cent female; about 60 per cent in Quebec and 37 per cent in Ontario; about 34 per cent in Montreal and 7 per cent in Toronto. In 1931 the average annual wage was \$764, \$100 less than the average for men's clothing, \$200 less than the average for all manufacturing.

By its inquiry into price spreads in boots and shoes, we were led to investigate eight Quebec factories, from which department-store records showed large purchases to have been made. Results from such a limited number of factories may not necessarily apply to the industry as a whole; but they so effectively confirm the suspicion of low wages suggested by the average annual wage figure given above that it is impossible to avoid the conclusion that a significant part of the industry is of the "sweatshop" type. é

In these eight factories, employing over 1,800 workers at the time of the investigation in March and April, 1934, female workers earned from 13 cents to 26 cents per hour, or from \$6.34 to \$12.34 per 48-hour week. In those factories from which it was possible to secure information, the earnings of male workers ranged from 11 cents to 16 cents per hour, or from \$5.09 to \$7.68 per full time week. In one factory, as many as 86 per cent of the adult men earned less than \$9, and 58 per cent earned \$4 or less per week. In three factories, many "boys," aged 14 to 20 years, were employed at 2½ cents to 6 cents per hour. In fact, there was a noticeable tendency for male workers to be paid less than female and perhaps to displace them. In six of the factories, from 2 per cent to 20 per cent of the females, but from 2 per cent to 64 per cent of the males, were paid 10 cents or less per hour. In one factory, over 50 per cent of the 180 male workers received

less than the lowest minimum for apprentice females. It may have been a decent respect for the opinion of mankind on the part of these employers that made them compel their workers to sign their wage receipts in blank.

It is no surprise, in the light of these facts, to learn that the Minimum Wage Law is flagrantly violated. Out of the eight factories, six classified an illegal proportion of their workers as "inexperienced," and five paid a large proportion of them (35 per cent to 83 per cent), even then, less than the minimum rate.

4. FURNITURE

This is one of the industries that have suffered most heavily during the depression. Partly because of this fact and also because of the number of small competing plants in the industry, it provides one of the best examples of an industry peculiarly susceptible to mass buying pressure.

We investigated 26 factories in the industry, which together accounted for more than 40 per cent of the total output. Of the employees in these factories, 84 per cent were employed by firms where average actual weekly earnings were \$13 or less. The average weekly earnings in each factory ranged from \$3.64 to \$14.42 and averaged about \$10. This means that the average worker could earn only about \$500 in the year 1933. Twenty-four of these 26 plants employed a total of 224 "boys," generally aged 18 to 19 years, of whom nearly 25 per cent were in factories paying \$3 or less, 55 per cent in factories paying \$5 or less. Their figures ranged from \$1.68 to \$6.44 per week and averaged about \$4.50.

Part of the explanation of these low earnings lies, of course, in short-time. Although 6 plants worked from 51 to 60 hours per week and 5 others over 40 hours, the 26 plants averaged for six months only 37 hours per week.

Even on a full-time basis, earnings would still have been very low as the figures below for hourly rates show.

Hourly rates averaged 27 cents per hour, ranging from 18 cents to 45 cents. Forty-four per cent of the employees averaged less than 25 cents, and 78 per cent averaged less than 30 cents per hour. "Boys'" rates were, of course, still lower.

5. BAKING

The baking industry, in general, combines the functions of both manufacturing and distribution, as many companies deliver their products directly to the consumer. The industry is also characterized by having a number of large corporations operating in a field in which the majority of the plants are relatively small-scale. An analysis of persons employed in mill-controlled and large independent bakeries in June, 1933, showed that 55 per cent of the employees were classed as delivery workers and 8 per cent as wrappers, packers or shippers. It will thus be seen that for the larger companies the majority of the employees are engaged in distribution.

During the period of 1929-32, average annual wages paid in this industry were \$1,015. The highest average wage for all employees in the companies investigated by the Commission's auditors, was \$24.68 per week for a company in Hamilton, while the lowest was \$16.70 for a firm in Montreal. An analysis of classes of workers for which the average wage was less than \$15 per week shows that such classes formed 47.6 per cent of the total employees of companies investigated in Quebec City, but not over 15 per cent for any other locality. Employees paid on the average less than \$15 per week formed less than 6 per cent of the total number of workers in all companies investigated.

A special analysis of the pay-rolls for August, 1934, of a number of independent bakers in Ontario was made by our investigators to determine the number of employees receiving less than \$15 per week. It was found that the pro-

portions ranged from 12·5 per cent of all employees in bakeries in Toronto to 37·2 per cent in cities and towns under 100,000 population. It would appear, therefore, that the independent bakers in the smaller cities and towns have the worst wage record.

6. FLOUR MILLING

The average annual wage in this industry in 1933 was \$905. The average rates of wages of employees in the plants of the larger milling companies were found to compare favourably with the general level of wages in industrial undertakings. The average weekly earnings of full-time employees in one Eastern mill were found to range from \$18.40 to \$33.96 during a period of full time operations. Unskilled employees such as sweepers, oilers, helpers, etc., generally received at least 25 cents per hour. It is understood that in many cases these employees are apprentices. A number of girls are employed in some mills for the packing of small sizes of cartons of flour. The minimum rate paid to female employees is based on \$12.50 for a 60 hour week or approximately 21 cents per hour. The regular rate is 26 cents per hour, or \$15.60 per week.

All mills in Western Canada were found to be operating on three shifts of eight hours each, when on a 24 hour schedule. The Eastern mills, however, generally operate on a two-shift basis of twelve hours each. Under this schedule the mill employees work the full twelve hours, but warehousemen and packers work ten hours per day. In view of the current movement toward a shorter working week it would appear that hours of labour in Eastern flour mills are considerably out of line with accepted standards of a reasonable working day.

7. MEAT PACKING

Though this industry, which ranks third among the industries of Canada, has been one of the most successful in the Dominion in weathering the depression, the average annual earnings declined 16·9 per cent between 1929 and 1933, from \$1,123 to \$933.

Our auditors investigated hours worked and wages paid in 6 of the largest meat-packing companies. The result of this investigation showed that the highest average wages were paid in the Toronto plants with Swift Canadian Company leading with an average weekly wage of \$22.52. The lowest average weekly wages found were \$15.89, paid in the Hull plant of Canada Packers. In this plant 39·2 per cent of the employees were paid below the legal minimum for women in Ontario, while in the Toronto plant of the same firm, only 0·7 per cent were paid below this figure. This is in line with the practice of many firms of paying only such wages as are current in a locality, even though they may be operating at a profit on higher wages paid in other centres.

On the whole it may be said that while in some cases wages paid in this industry are extremely low, yet in general the workers, most of whom are male, are more fortunate in respect to wages than they are in many other industries; there is, however, no excuse whatever for any concern paying even a minority of its workers wages as low as some that were found in one plant of the largest and one of the most profitable members of the industry.

8. FRUIT AND VEGETABLE CANNING

Hours of labour in this industry are regulated by the highly seasonal nature of the work in which packing quotas and quantity of available produce to be canned are the governing factors. Exclusive of certain jam factories the term of employment seldom runs over six weeks.

Pay-roll tests made by the investigators showed that both piece- and time-work were common, and that in each type there was wide variation in rates paid and number of hours worked.

In 1933, both male and female time-workers were paid as low as 10 cents an hour, and their hours of labour frequently ran over the maximum limit set by the Factory Act "as permissible exemptions on matters of customs or exigencies of trade."

Prior to our investigation, no records were kept of hours worked by piece-workers, and it was therefore impossible either to estimate their hourly earnings or to form any idea of the relationship between piece- and time-work earnings. Piece-work was done almost exclusively by females and rates were frequently established on the basis of the quality of produce after the operation. Examination showed in one instance that the superintendent who determined such rates discriminated against the workers with the result that many workers earned only a few cents an hour.

Although the Minimum Wage Board of Ontario detected a number of illegally low wages, and compelled restitution, infringements have not ceased and laxity continues with regard to the proper keeping of required records of the hours of piece-workers.

Home-canning presents another problem, in that employees in this branch of the industry are classed as farm labourers, to whom the Minimum Wage Acts do not apply. Among these workers the prevailing wage is 10 cents an hour or less.

Finally it should be noted that wages form a relatively small part of canning costs, and, therefore, a still smaller part of the consumer's dollar which is spent for canned goods. A break-down of the latter revealed that direct labour costs amounted to only 4 cents out of the dollar. Consequently, any increase in wages would have only a slight effect on the ultimate price paid by the consumer. In fact, direct labour and raw material costs together amount to less than the cost of the tin can itself.

9. TOBACCO

The most striking fact revealed by our evidence on the tobacco industry is the combination of low wages and high profits.

In 1930, the average annual earnings of the workers in this industry, \$662, were the third lowest in the forty industries for which the Dominion Bureau of Statistics published data. Since that date, they have declined to as low as \$555, which can be attributed to a 17 per cent decrease in the volume of employment and to a decrease in basic wage rates. For the tobacco industry generally in 1933, wage-earners received an average of \$10.67 for a 44.7 hour week. Two manufacturers hold a predominant position in this industry and must bear the major share of the responsibility for the low wages which characterize it.

Certain figures for the Imperial Tobacco Company, which is by far the largest single unit in this industry, are of special interest. In 1931, net profits were \$5,914,079 and factory pay-rolls were \$3,430,952, or 58 per cent of net profits; in 1933, factory pay-rolls totalled only 52 per cent of net profits.

While workers in this company were being paid such low wages, an average of twenty-eight chief executives received in salary and bonuses \$616,318 in 1931. \$506,982 in 1932, and \$421,388 in 1933. With particular regard to the bonuses paid to these executives, the following company by-law should be noted:—

Five per cent of the net profits as above defined shall be available for distribution among the president, vice-presidents and directors in such proportion as the president and vice-presidents determine.

The extent of the reduction in earnings is shown by the fact that 517 employees in the Granby plant of this company received an average of \$10.64 per week during October, 1933, or 24 per cent below a similar period in 1931.

In the Macdonald Tobacco Company, undivided profits at the end of 1933 stood at \$594,432, notwithstanding the withdrawal of \$260,000 annually by the

president since 1930. In 1933, 1,355 male and female employees of this firm received an average weekly wage of \$12.80, 8 per cent less than the 1929 average.

Figures such as these tell their own story.

10. AGRICULTURAL IMPLEMENTS

The depressing effect of bad conditions in this industry on labour's welfare is shown in a decline between 1920 and 1933 of 73 per cent in the total number of workers employed, and of 79 per cent in salaries and wages paid. Average wages, however, though they have decreased 32 per cent since 1929, compare favourably with the average for all manufacturing industries.

In this connection, an interesting fact—one which shines brightly in comparison with certain other industries—is that in ten small companies investigated by the auditors the percentage drop in executive salaries was greater than that of factory workers. The reverse, however, was decidedly the case in respect to the four large implement companies investigated, though it should be added that the wages paid by the four large companies were higher than those paid by the ten small ones.

Average yearly rates show a great variation, from a high of 52 cents per hour in Hamilton to a low of 30 cents in Aurora, Ontario. Six of the large firms averaged 40 cents per hour or over. On the whole, hourly rates, in comparison with certain other industries investigated, are quite good.

11. RUBBER

The significance of the rubber industry for this particular section of the report lies in the fact that, despite a tremendous loss in business, it has been able to avoid the ruthless price- and wage-cutting that have characterized some industries previously discussed.

From 1929 to 1933, the gross value of all products decreased 58 per cent; the number of employees, 42 per cent; total pay-rolls, 54 per cent. This decline can be attributed in part to a semi-monopolistic policy of price maintenance and should be considered as one of the costs of any such system of price-control.

Wage statistics were obtained from seven tire factories, employing 1,658 men and 127 women wage-earners, and from nine rubber footwear firms employing 2,327 men, 1,676 women and about 60 youths under 18 years of age. They show that hourly rates for males ranged from 47 to 60 cents in tire factories and from 32 to 43 cents in footwear. This would mean weekly wages, on a 44 hour basis, ranging from \$20.68 to \$26.40, and \$14.08 to \$18.92, respectively.

Hourly rates for females ranged from 29 to 36 cents in the tire industry and from 24 to 34 cents in the rubber footwear.

In 1933, actual annual earnings for men averaged \$1,046 in tires, \$811 in footwear; for women, \$610 in tires, \$514 in footwear.

12. TEXTILES

The labour and wage evidence on this industry was secured through questionnaires sent to the members of the industry by our auditors. It was obviously impossible to examine the records of the hundreds of factories in the various branches of the industry. The evidence received by the Commission is therefore not exactly the same basis as that received in respect to chain and department stores. Nevertheless, we feel it provides an authoritative and comprehensive picture of wage conditions in the industry. All the various divisions were covered, e.g., primary cotton, woollens, silk (natural), hosiery, silk (artificial), knit goods, carpets and rugs, thread and cordage, bags, waste, tents, awnings, etc., and specialty fabrics.

The average annual wage paid in all divisions of the industry in 1933 amounted to \$674. The highest was paid by the artificial silk industry, \$821, while the natural silk industry had the lowest, \$600. Primary cottons, woollens,

artificial silk and thread and cordage were the least affected by the depression, their decline in average annual earnings ranging only from 4 per cent to 8 per cent. Earnings in the carpet industry were the most affected, having declined 30 per cent. Details for each industry are given in the table following:

TEXTILE WAGES, 1930-33

(AVERAGE ANNUAL WAGES OF FACTORY WORKERS, SUPERINTENDENTS EXCLUDED, ALL PROVINCES)

Group	1933	1932	1931	1930	Percentage decrease in earnings, 1930-33
	\$	\$	\$	\$	
A. Primary cotton.....	660	690	699	692	4.6
B. Woollens.....	728	719	761	756	3.7
C. Silk, natural.....	600	636	718	691	13.2
D. Hosiery.....	702	725	768	791	11.3
E. Silk, artificial.....	821	859	900	885	7.2
F. Knit goods.....	658	674	739	772	14.8
G. Carpets and rugs.....	733	825	897	1,054	30.4
H. Thread and cordage.....	804	856	842	876	8.2
I. Bags, waste, batting and wadding, tents, awnings, etc.	744	754	804	885	15.9
J. Specialty fabrics.....	767	794	863	981	21.8

The highest average hourly wages of all the textile industries was 36 cents paid in the carpet and rug division. However, due to the drop in the physical volume of production with the resulting short-time employment, this division stood only fifth in average annual earnings. The lowest hourly wages were paid by the natural silk industry, the average being 24 cents per hour. This industry paid the lowest wages in all classes from adult males down to girls under 18, whereas, in the carpet industry, both adult males and adult females received the highest rates of pay, 43 cents and 29 cents per hour, respectively. Average wages in the primary cotton industry, which is the most important of the group, were only 27 cents per hour as compared with 29 cents for woollens, 30 cents for hosiery, 29 cents for knit goods, 33 cents for artificial silk, 34 cents for thread and cordage, 30 cents for specialty fabrics and 35 cents for the miscellaneous division. In connection with these wage rates, the proportion of male employees should be noted. In the primary cotton industry the proportion was 66 per cent, for woollens 57 per cent, hosiery 42 per cent, and knit goods 39 per cent. The primary cotton industry employed the highest proportion of male wage-earners but despite this fact, paid lower average wages than either the woollen or hosiery and knit goods industry, where the proportion of male workers was much lower.

In Ontario, the artificial silk industry, with an average of 38 cents per hour, paid the highest wages, while the lowest was paid by the natural silk industry, with 29 cents per hour. This may result from the different ratios of male to female employees in these two branches of the industry; in artificial silk 63 per cent of the employees are male; in natural silk, only 40 per cent.

In Quebec, the highest rates were received by the employees of the bag, waste, batting and wadding, tent and awning division. This was 33 cents per hour as compared with the lowest hourly rate of 23 cents paid in the natural silk industry. With one exception, average hourly wages in Quebec are lower than those prevailing in Ontario. Average rates in the other provinces were in some cases higher than those prevailing in either Ontario or Quebec.

A study of the separate auditors' reports discloses interesting and, at times, depressing labour and wage conditions in those comparatively profitable branches of Canadian industry.

The cotton textile division has, it is true, maintained a greater stability both in employment and in wage rates, than have most industries, but even

here, the average annual wage has fallen from \$721 in 1930, to \$685 in 1933. The level in the industry at best has never been a high one; indeed in 1932 it was 20 per cent below the general level of all industries. It is also interesting to note that, though there has been an actual increase in physical volume of production in the industry since 1930, there has been a decrease, apparently for technological reasons, of 6 per cent in volume of employment. In the three largest cotton companies, wage rates in February, 1934, were 5 to 7 per cent lower than in 1930.

The situation in the cotton industry is not a bad one, but it must be related to the favourable conditions under which it operates, and to the profits it has shown.

The woollen division, including carpets and rugs, has been able on the whole to resist the full force of the depression and this has reflected itself in labour and wage conditions which are comparatively good. There are, however, some firms paying wages that are fair neither to the workers nor to the more progressive members of their own industry.

The silk industries should, at least, have relieved the picture of low wages that was presented to the Commission. Here, employment, production, profits and total wage bills had increased through the depression. Notwithstanding, there was a drop of more than 8 per cent in wage rates between 1929 and 1932, for which the natural silk industry was primarily responsible. In some natural silk mills, wage conditions were deplorable.

In an industry with all the advantages that this one possesses, there should be no room for even a small factory, such as the M. E. Binz Co., Ltd., Montmagny, Que., where in February, 1934, the average wage-rate for all male workers was 10 cents per hour; where 93 per cent of all male workers in 1934 were paid less than the minimum rate for female workers; where, on a 55-hour basis, the average full time weekly earnings in 1934 for male and female employees was \$5.72.

Almost equally bad are the conditions in the Associated Textiles of Canada, Ltd., Louiseville, Que., a United States controlled company, which accounts for more than 20 per cent of all the natural silk sales in Canada; and over 19 per cent of the total employment in this group. This company has been increasingly profitable since it began operations in 1929; net profits amounting in 1933 to 11 per cent on sales or 24 per cent on invested capital. Nevertheless, average weekly wage rates in this company, based on a 55-hour week, in the two weeks ending February 25, 1934, were male employees, \$13.43, female employees, \$9.73. Ninety male and 130 female workers were paid at rates below \$8 per week.

Of the female workers, 101 out of 265, were paid below the legal minimum, though the margin of under-payment was usually slight. Another apparent infraction of the law was found in the fact that at the time of investigation, the number of inexperienced female workers was 157 out of 265, though the legal limit is 50 per cent.

As compensation for the above conditions, the employees have a social club which they support by their contributions.

The record of certain silk factories in Quebec, in respect to violations of the minimum wage laws is not unworthy to be put alongside the worst examples in the clothing industry. One profitable factory showed apparent infractions in February, 1934, for 101 out of 265 female workers.

The natural silk industry also provides a graphic illustration of the general condition of wage-level variations between Ontario and Quebec. In spite of the fact that 40 per cent only of the workers in Ontario are male, as against 60 per cent in Quebec, the average wages of all employees in the former province are 18 per cent higher than in the latter.

In the hosiery and knit goods section, labour conditions, in view of the general economic situation, are probably not much worse than could be expected,

with an average hourly rate for all employees in February, 1934, of about 29 or 30 cents. There is, however, a more than usually striking variation between mills, to be accounted for only partly by the difference in the nature of their production. For instance, the lowest rate per hour in the group was 12 cents; the highest, 40 cents. The record was, as usual, worse in Quebec than in Ontario. Average weekly full-time earnings in several firms where a special analysis of earnings was made, ranged from \$6.16 to \$13.15. All of these firms operated on a profitable basis. In the case of the lowest paying mill, The Butterfly Hosiery Co., Ltd., annual earnings dropped from \$668 in 1932 to \$349 in 1933. By a permission of the Minimum Wage Board of Quebec, dated August 11, 1933, this company was enabled to classify most of its female employees as inexperienced and pay them, with two exceptions, princely sums of \$3 and \$4 per week.

Miscellaneous textile industries present much the same picture. Conditions in the thread and cordage division were somewhat better than the average in other divisions, with an average wage-rate for all employees for all provinces of 34 cents per hour. The company in this group which paid the second highest average wage had also the second highest net profit. In the bags, waste, tents, etc., division the only unusual, indeed unique result disclosed was a higher average rate for all workers in Quebec than in Ontario. The specialty fabrics group, though employing much the largest proportion of male help, showed only the third highest average rate.

13. DEPARTMENT AND CHAIN STORES

The Commission, through its auditors, made a thorough investigation into the wage and labour situation in department and chain stores. The results of that investigation are analysed in detail in Annex V, Tables 53-90, but some general observations may be made.

a. Department Stores

The department stores and mail order houses are among the largest employers of labour in the retail field. Slightly more than 10 per cent of the full-time male employees and almost one-third of the female employees covered by the Census of Merchandising of the Bureau of Statistics, were reported by department stores or mail order houses. These establishments employ experienced and inexperienced workers, youths and adults.

In the two Toronto department stores, as was perhaps natural under prevailing conditions, the wages of the female employees in April, 1934, tended to group around the legal minimum of \$12.50 per week. In Eaton's 54 per cent, and in Simpson's 53 per cent of the female store employees received over \$10 but less than \$13 per week. At that time more than 50 per cent of the male store employees in both firms received more than \$19 per week.

In the Montreal stores, wage rates were considerably below those in Toronto, with the following percentages of female employees receiving less than \$13 per week.

	Per cent
Dupuis Frères	91
Eaton's	69
Simpson's	60
Ogilvy's	56
Morgan's (less than \$50 per mo.)	73

In Freiman's, Ottawa, only 2 per cent of the female employees received less than \$12 per week.

The proportion of male help in Montreal stores receiving \$18 or more per week was:—

	Per cent
Eaton's	39
Ogilvy's	48
Dupuis Frères	48
Simpson's	56
Morgan's (more than \$80 per mo.)	40

In Freiman's, 79 per cent received \$15 or more per week. Wage levels in both Winnipeg and Vancouver were somewhat better than in Toronto.

Average earnings in the large stores, as in their mail order houses, while not high enough to warrant any particular satisfaction are, it would seem, at least as high, and probably somewhat higher than the average prevailing in retail distribution generally. They have, of course, decreased during the depression. Reductions between 1930 and 1934 ranged from less than 1 per cent in the case of female sales clerks in Dupuis Frères to 25 per cent for Simpson's in Montreal. The reductions for male sales clerks during this period ranged from 3 per cent for Dupuis Frères to 26 per cent for Simpson's in Toronto.

The department stores employ many part-time employees, some of whom work regular hours each day or week, while others are used at rush periods or for sales. There seems, however, to have been little tendency for the proportion of such employees to increase during the depression. In fact, in some stores their relative number decreased in recent years.

Generally, the nominal hours of labour for department store and mail order employees average 48 hours per week. In addition, however, employees are expected to be on hand from 10 to 20 minutes before the store opens and for about the same length of time after the store closes. The practice of having shorter store hours during July and August was becoming fairly well established prior to the depression, but during the past three years, some stores abandoned some features of this policy, such as all-day closing on Saturday. On the other hand, department store employees are required to work long hours during the Christmas rush. It would seem that, by common agreement among the department stores in each city, the hours of labour of their employees could be progressively shortened without seriously affecting sales volume. A progressive policy of this character would serve as an admirable guide for other branches of retail trade.

Efforts seem to have been made by several of the larger companies to establish scales of minimum earnings for married and unmarried men and to effect reductions in earnings in such a way that those with the higher earnings have borne the greater share of the decreases. On the other hand, the past four years have demonstrated that greater protection should be afforded workers in department stores against the too rigorous application of policies designed to maintain business profits or to avoid losses. The decline in business from 1929 to 1933 has caused quite large reductions in the staffs of most department stores and mail order houses, and many of the employees who were retained have not been able to secure a full year's employment. Thus, while conditions of employment are as good or better than those which prevail generally in retail trade, this is far from saying that they conform to any advanced standards of employee welfare.

b. Chain Stores

We secured evidence on wages and labour conditions in a number of the leading chain store companies. The typical chain store system of operation, with centralized control on the one hand and multiplication of branches on the other, has frequently given rise to serious labour problems. The manager of the branch

store has been held responsible for the efficient operation of his unit but has been given no power to determine merchandising policies. His responsibilities for store inventories and operating ratios are generally so onerous that, when pressure is brought to bear by the central management, the store employees often suffer.

(1) Food Chains

Food chains are the most important group in the chain store field. The average weekly earnings of full-time male employees (including managers) in the Ontario division of the companies investigated ranged from \$15.16 per week in the company with the lowest average, to \$23.99 per week in the company with the highest. Excluding managers the average wage was from \$9.31 per week to \$16.48. The average weekly wage of female employees in the same divisions ranged from \$10.64 to \$15.38, and was to a great extent determined by the scales set by the Minimum Wage Board of Ontario. In three of the larger companies the average weekly earnings of female clerks were higher than those for male grocery clerks.

Average weekly earnings of employees in the Quebec divisions of food chains were considerably lower than in the Ontario divisions. While three companies operating in Ontario had more than 48 per cent of their male grocery clerks receiving less than \$10 per week, only one company had more than 20 per cent of its female employees in this class. In the Quebec divisions three companies had 50 per cent or more of the male grocery clerks receiving less than \$10 per week, but three companies had also 25 per cent or more of their female employees in this class.

As the following table shows male wages ranged from \$16.48 per week in Loblaw's down to \$7.65 in the Quebec division of Dominion Stores; female wages from \$15.38 to \$9.01 in the same firms, respectively.

FOOD CHAINS, AVERAGE WEEKLY WAGE, 1934, BY COMPANY AND SEX

(ALL EMPLOYEES, EXCLUDING MANAGERS, SELECTED WEEKS IN SPRING OF 1934)

Name of Store	Ontario		Quebec	
	Male	Female	Male	Female
	\$	\$	\$	\$
Great Atlantic and Pacific Tea Company, Limited...	11.72	12.57	7.60	9.33
Carrolls Limited.....	9.31	10.64	.....	.....
Dominion Stores, Limited.....	9.53	10.85	7.65	9.01
Loblaw Groceterias.....	16.48	15.38	.....	.....
Stop and Shop Limited.....	9.78	12.50	8.54	9.59
T. Eaton Groceterias, 12 Representative Stores only..	14.38	11.92	.....	.....
Steinberg's Service Stores.....	.....	.....	14.55	12.04
Thrift Stores, Limited.....	.....	.....	7.73	9.40

We also received, by replies to voluntary questionnaires, information on wage rates and hours of labour of employees in a number of the larger independent grocery and combination stores in Ontario. While a complete comparison cannot be made between chain and independent store figures because of the differing nature of occupations in the two types of store, and because of the selective nature of the "independent" investigation, it was found that for occupations called by similar names the independent stores reporting were paying higher wages than chain stores.

Hours of labour of employees of food chains are longer than any worker should be asked to endure. They commonly exceed 60 hours per week and in many stores often reach as high as 80 to 84. Evidence was produced to show that the food chain with the worst wage record of those we investigated had also the worst hours record. The store working hours of this company averaged

70 per week, to which considerable overtime should be added. There is no excuse whatever for conditions such as these. In evidence before us, chain store officials frankly confessed that these hours were much too long. That they are unnecessary, is demonstrated in those communities which have early closing laws and provide for a weekly half-holiday for store employees.

An educational campaign is required to focus public attention on the hours of labour in retail stores. If this fails to achieve the necessary reform by municipal action, then the provincial or Dominion Government should intervene.

(2) *Variety Store Chains*

Variety store chains employ far more female than male employees and also engage a considerably higher proportion of permanent, regularly part-time female workers than is common in other fields of trade. This policy is distinct from that of bringing in a few extra workers during peak periods. It is a regular employment policy of so staggering hours that a great many workers are regularly employed only part-time. For instance, Metropolitan Stores had only 297 female sales clerks on full-time, but 937 on part-time; Woolworth's, 1,373 full-time, 936 part-time, Kresge's, 469 full-time, 527 part-time. This is the worst feature of variety store operation. Girls are kept on call, uncertain whether and when they will get work. Although they thus lose the opportunity of seeking other employment, they receive far from regular work and adequate earnings. In Metropolitan stores the part-time workers averaged only \$4.30 per week. In our considered opinion this employment policy merits emphatic condemnation and should be drastically changed.

The average earnings of all male employees (other than managers) in four variety chains ranged from \$7.34 per week for the company with the lowest average, to \$19.90 for the company with the highest. While the earnings of such employees were lower in variety chains than in department stores, they were slightly above the averages for food chains.

It was found that in three of the larger chains from 65 to 73 per cent of the female employees received between \$10 to \$15 per week. Less than 10 per cent received more than \$15, and from 22 to 24 per cent received less than \$10. One variety chain, operating almost entirely in Quebec, paid more than 10 per cent of its female employees under \$5, and 90 per cent under \$10 per week.

When the Commission expressed its feelings about the wage conditions in this chain, the president could only reply, "The girls were content." While girls were working at these wages, the company was also content. It declared an 80 per cent stock dividend.

The variety chain evidence showed in an interesting way the effect of the absence of Minimum Wage laws on sweated conditions. One chain operating across Canada paid 88 per cent of its full-time female clerks in the Maritime Provinces, and 72 per cent in Quebec below \$10 per week. There was no minimum wage order covering them at that time. In Ontario, the Prairie Provinces and British Columbia, where there were such orders, only 5, 3, and 0 per cent, respectively, of the full-time female clerks received below this figure.

In one chain 18 female clerks in Ottawa drew an average of \$10.77 per week; in Quebec, 18 in a similar sized store in the same chain drew an average of \$6.23. The president plaintively explained, "It was the minimum wage."

The excuse given by most executives of chain stores for these low wages was inability to pay more, much as they desired to. This would hardly apply to the largest variety chain. In 1932 it made a net profit of \$1,800,000. This money went to New York. A 10 per cent wage reduction went to thousands of the company's employees in Canada.

Employees in variety chains commonly work about 50 hours per week, although the auditors' reports show that some employees are employed after store hours arranging stocks or displays. In view of the sustained profits

received by the largest of these chains the continuance of long hours for its employees must be emphatically condemned. Conditions of employment in variety chains should be at least as good as they are in department stores, and a reduction in their hours of employment should not be delayed.

(3) *Drug Chains*

Only two drug chains were investigated by the Commission. The wage rates of employees in these two companies compared fairly well with those reported by independent drug stores in Ontario from which the Commission secured voluntary statements, and also with census data on wage-earners in the drug and toilet preparations trade.

In both independent and chain drug stores the hours of employment were unduly long, generally averaging 60 or more hours per week. In part, this long working week is due to the necessity of providing the public with adequate drug services, but to a considerable degree it is due to the modern practice of making the drug store into a convenient shopping centre for all kinds of goods. The immediate remedy for long hours in drug stores would appear to lie in the extension of the shift system, so that sufficient employees are available to render it unnecessary for any worker to remain on duty for long periods.

c. General Observations on Labour and Wage Conditions in Retail Distribution

The labour policies of many chain-store companies appear to have been characterized by close control in the matter of wage costs but a lack of sympathetic direction in the application of these wage policies to the conditions of the workers involved. The excuse that such direction could be safely entrusted to the local management has clearly been shown to be inadequate by the conditions that the investigation of the Commission have revealed. The inevitability of the development of abuses in the circumstances should have been recognized from the start by the central management. That no steps were taken to change these circumstances and guard against the results that have been revealed must, from a social viewpoint, be regarded as a dereliction of duty on the part of the executives of many chain store companies, however profitable the policy may have been to the shareholders.

We have found that the position of the worker in the department and chain store fields is a particularly defenceless one. In both, but especially in chain stores, the use of large numbers of relatively young and unskilled persons provides a labour force that has very little bargaining power.

In chain stores this weakness is accentuated by the multiplicity of units, each of which has only a few workers, and by the efforts of the central management to prevent incentives for local managers, which divorce their interests from those of the workers under them.

While the considerations outlined in the preceding paragraphs apply, in the main, to workers in independent stores also, the direct relationship between owner and workers may introduce here a compensatory feature into labour relationships. The close contact between employer and employee often gives the employer an interest in the welfare of the worker and a desire to do as well by his employees as business conditions will permit. This does not imply that the independent proprietor will operate his business as a philanthropic institution, but that there is an incentive for him to pay his workers more than the minimum that the depressed state of the labour market would permit. A partial substitute for this personal relationship has been provided by the welfare policies of certain department stores—mutual benefit associations, group insurance, sick leave, pensions and other devices of this sort, sometimes at a sizeable cost to the employer, modify the impersonality of the usual contract between the individual worker and the large corporation.

The separation of ownership from management in chain stores and the direct incentive to local managers to disregard the welfare of store employees in the interest of higher profits and higher managerial earnings, means that wage rates of employees in chain stores are all too likely to be set at the lowest level for which recruits can be secured from the army of job-seekers. In fact, the absence of any personal relationship between the central management, which determines operating standards, and the employees in the stores tends to render the central management oblivious to the human element involved in their policies. This was made obvious by the evidence given before the Commission by the chief executive of one of the largest chains.

This lack of appreciation for the interests of their employees may lead the central management to focus their attention exclusively on the cost of wages in monetary terms and thus to pursue a policy of buying labour in the cheapest market. This sort of competition by the large chain companies at a time when the labour market is over-supplied, would undoubtedly drive down general wages in the retail field. Indeed, the fact that most chain companies can draw upon an army of youths and other unskilled workers enables them at almost any time to dictate the wages they are willing to pay. The absence of any organized labour groups among the workers means that these terms will be accepted by the majority of persons seeking employment.

The evidence presented to us in respect to department stores shows that, in spite of some shortcomings, the adherence to certain operating ratios can be combined with at least some consideration for the welfare of employees. The application of strict financial standards is bound to work some hardships on workers particularly in times of depression, but, pending a more satisfactory method of determining labour costs, the policy should at least be administered with as much sympathy as possible. The absence of such sympathy in many chain store companies cannot be condoned, and until their employment conditions are improved such companies must be viewed as operating against the public interest. It would seem essential that each large retail organization should have a personnel department, assured of the sympathetic support of the management, and devoted specifically to the study and improvement of conditions of work among its employees. Such a department would provide an opportunity for employees to present complaints or grievances and could suggest any necessary adjustments. This appears particularly necessary in chain stores, where employees are engaged in units scattered over wide geographical areas. In such circumstances, the personnel department would have to send its staff at intervals to examine conditions in each locality. In this way, the weak bargaining position of the worker in retail trade could be strengthened and many of the labour abuses that have been revealed could be removed.

3. PROPOSED REMEDIES

SUMMARY

Some of the startling labour conditions revealed by the evidence and investigations would seem to call for equally dramatic remedies. But sound remedies are seldom either novel or dramatic. They must be based on experience and must develop progressively. In fact, to the extent that these problems are possible of solution at all, the necessary reforms can very largely be found in the extension and improvement of agencies, policies, and methods already in some degree now operative.

Although the subject cannot be distributed neatly into unrelated compartments, it will be convenient to consider it from the following viewpoints:—

1. Recommendations primarily with respect to non-government agencies, whose activities governments may facilitate and stimulate.
 - a. Employers' and Trade Associations.
 - b. Employees and Trade Unions.

2. Recommendations for governmental action.

a. Legal regulation of employment conditions, within the traditional interpretation of the constitution.

- (1) Improved labour law administration.
- (2) Amendments to present provincial laws.
 - (a) Minimum wage laws.
 - (b) Regulation of hours of labour.
 - (c) Employment records.
- (3) New provincial labour laws.
 - (a) Collective labour agreements extension.
- (4) Amendments to or extension of present Dominion laws and practices.
 - (a) Amendment of the Criminal Code.
 - (b) Fair wage policy.
 - (c) Industrial disputes investigations.
 - (d) Better labour statistics.
 - (e) A new Division of Research, Standards and Service in the Department of Labour.

b. National regulation of employment conditions requiring either constitutional change or special effort to overcome constitutional obstacles.

- (1) The need for uniformity.
- (2) Methods of achieving uniformity.
 - (a) Dominion legislation, reservations and qualifications.
 - (b) Interprovincial co-operation to promote uniform statutes.
 - (c) Provincial legislation to enact for each province the terms of a uniform Dominion Act.
- (3) Recommendations with respect to national uniformity.
 - (a) Thorough exploration of the possible power of the Dominion Parliament to enact labour legislation.
 - (b) If necessary, amendment of B.N.A. Act.
 - (c) The appointment of an advisory committee to the Dominion Minister of Labour.
 - (d) Regular annual Dominion-Provincial Labour Conferences.

1. RECOMMENDATIONS PRIMARILY WITH RESPECT TO NON-GOVERNMENT AGENCIES, WHOSE ACTIVITIES GOVERNMENTS MAY FACILITATE AND STIMULATE

a. *Employers' and Trade Associations*

The revival of business offers an excellent opportunity for the larger and more progressive employers to provide authoritative leadership in personnel relations policies. The continuance of exploitation of labour is inimical to the welfare of all business enterprise and should be exposed and fought by other employers in their own interest. But the informed employer has a wider responsibility. He should share with the community the benefits of his experience not only negatively, by discouraging the grosser forms of exploitation and resisting ill-considered reform proposals, but positively, by encouraging and stimulating the wider acceptance of sound policies. This can be done most effectively through employers' associations, or trade associations.

The whole field of personnel practice and employment standards—even in such apparently simple matters as record-keeping, for example—requires extended study, but not many Canadian companies can afford such extensive personnel research programs as are undertaken by certain American corporations. The directly relevant functions of trade associations should therefore consist chiefly of education and research into employment problems. Even if the

associations could not themselves undertake an extensive research program, they could disseminate and interpret the results of study and experience elsewhere. Much of this, of course, is already being done, but the surface of the problem in Canada has hardly been scratched. The associations might also co-operate at least in setting up, perhaps with university and other assistance, Canadian counterparts of the (American, private) Personnel Research Federation, Industrial Relations Counsellors, Inc., and National Bureau of Economic Research, or of the (British, governmental) National Institute of Industrial Psychology or Industrial Health Research Board. In Canada scientific research into the uses and treatment of materials seems to have outrun the equally profitable investigation into the uses and treatment of men.

Much can be done, also, by trade associations in developing and promoting adequate accounting, without which business drifts like a rudderless ship, and in the collection and interpretation of statistics, without which, as a compass, safe navigation is impossible. Very often the real solution to a particular "labour problem" is to be found in some phase of business management far removed from the employment office.

Special emphasis is laid on the statistical functions of trade associations because they can supplement, with greater detail, our government statistics which are necessarily general in character.

In industries where employers and employees are organized, associations can also facilitate the negotiation of wage rates and other labour conditions by representing their membership as a whole in collective bargaining. By extending to trade unions a reasonable measure of recognition and co-operation, they can go far to avoid unnecessary industrial disputes—at least, they can narrow the field of contention to those points, if any, where interests and principles come into irreconcilable conflict, and the dispute can be settled only by force or law. Before these points are reached there remains a broad field where the possible community of interest of employers and employees has not been fully explored.

Collective bargaining in Canada has up to the present time been carried on largely by individual employers and trade unions. But an increasing number of collective agreements are made by employers organized in associations according to industry. This seems a desirable development, implying as it does the successful negotiation of the terms of employment by the parties themselves without the intervention of others. In ensuring the observance of such agreements by its influence on its members, an employers' association is an important factor in stabilizing employment conditions on a satisfactory plane, thus leaving its members free to devote their energies to other problems connected with their business.

The pressure of circumstance and the development of theory alike are everywhere leading to the extension of social regulation and control not only over labour conditions but over other economic activities. It is difficult to believe that employers' associations, trade associations, and trade unions, are not going to be major agencies in the development of self-government of industry in its labour relations and important factors in any state regulation that may be necessary.

b. Employees and Trade Unions

With the development of the factory system, and still more with the general trend to corporate management and concentration, the disparity in bargaining power between the individual worker and the typical employer has grown so obvious that the abstract necessity for collective bargaining is widely accepted. On this side of the Atlantic, however, practice has not followed this recognition to the extent it has in older countries. This lag in industrial policy has been due in large measure to pioneer conditions, free land, unlimited employment opportunities, and a relatively high wage-level. With the disappearance of these

conditions, trade-union membership increased, but some employers have been reluctant to recognize the unions, and, in some industries, for various reasons, trade unionism has obtained little or no footing. It is unnecessary to recite the various war and post-war declarations, such as those of the Whitley Committee in Great Britain, the Royal Commission on Industrial Relations, Canada, 1919, or of the Treaty of Versailles itself, endorsing this method of negotiation, but it may be of interest to quote a recent statement from an outstanding Canadian employer:—

I am sure the time has come when, we, as employers, should be willing to concede to every worker in our industry the right to bargain, either on an individual basis or on a collective basis, through the medium of such representatives as the employee may select to represent him. (Mr. A. O. Dawson, Pres. Canadian Cottons, Limited, before Canadian Chamber of Commerce, Sept. 11, 1934.)

The statement does not commit its author to advocacy of trade unionism, of which in many respects he remains critical, but it does exemplify the generally growing appreciation of the need for improved industrial relations machinery, a need which has been driven home by the results of our inquiries and by evidence received.

Recent British experience with and attitude to trade unionism is excellently summarized in the following extract from the prefatory note to the British Ministry of Labour's *Report on Collective Agreements, Volume 1, 1934*:—

Collective bargaining between employers and workpeople has, for many years, been recognized in this country as the method, best adapted to the needs of industry and to the demands of the national character, for the settlement of the conditions of employment of the workpeople in industry. Although collective bargaining has thus become established as an integral part of the industrial system, it has discharged its important function, on the whole, so smoothly and efficiently and withal so unobtrusively, that the extent of its influence is apt to be, if not altogether overlooked, at least underestimated. It has produced a highly co-ordinated system of agreed working arrangements, affecting in the aggregate large numbers of workpeople and defining, often with great precision, almost every aspect of industrial relations.

The method of collective bargaining implies the right of association and the right of freedom from unwarranted interference with such associations. The trade union is, thus far, the normal agency in which workers associate together.

To enter fully into the discussion of the problems of trade union policy, organization, and law would be outside the scope of our present reference but sufficient evidence of deplorable conditions has been presented to us to suggest that the Government has a direct responsibility to encourage, so far as possible, one of the natural and most effective instruments for the protection not only of labour but also of the fair employer.

The association, on the side of the employer, must be balanced by the trade union on the side of the employee. It is not contemplated that the Government should initiate the organization of either but that it should recognize fully the important functions which, if wisely and intelligently led, they may perform in solving the problems presented before this Commission.

Mere toleration of trade unions is not sufficient. The present emergency calls for as clear a statement of national policy as that in the War Labour Policy embodied in P.C. 1743, July 11, 1918,—

That all employees have the right to organize in trade unions, and this right shall not be denied or interfered with in any manner whatsoever, and through their chosen representatives should be permitted and encouraged to negotiate with employers concerning working conditions, rates of pay, or other grievances.

Such a declaration at the present time would go far to overcome some of the hesitations and fears that impede effective organization on the part of both employers and employees.

More adequate recognition of trade unions both by governments and employers would have a significance wider than that of merely facilitating collective negotiation of wage contracts. As long as the trade union movement is only tolerated, and we have received evidence to show that this is often the case, it will continue to pursue defensive tactics—a prominent official calls then “snarling dog” tactics—which are not likely to be constructive. To the extent that the trade union is recognized as a necessary instrument of economic organization and control, to that extent the energies and intelligence of the movement can be fully released for constructive co-operation in the improvement of social conditions. It is the defensive psychology imposed upon unions by experience and circumstance that develops those policies and practices to which objection may sometimes fairly be taken, but which are often utilized by their opponents to create misunderstanding and prejudice.

It should also be realized that the enforcement of our present labour laws depends in large measure upon the assistance of trade unions. For the effective administration of any such laws, even an army of official inspectors would need to be supplemented by the day-to-day policing of the jobs by the workers themselves. Without an organization to take up complaints and to protect the complainants, many infractions pass without effective protest or action.

2. RECOMMENDATIONS FOR GOVERNMENT ACTION

a. Legal Regulation of Employment Conditions within the Traditional Interpretation of the Constitution

The self-interest of far-sighted employers as well as of workers' organizations, often, for the maintenance of desirable conditions, require to be supplemented by legislation designed, by establishing minimum standards of working conditions, to make competitive conditions relatively uniform and to foster certain general conditions of social well-being. But, unfortunately, any discussion of this phase of the problem must follow two classifications that cut across one another—legislative standards and administrative enforcement, on the one hand, dominion and provincial competence or jurisdiction, on the other.

(1) Improved Labour Law Administration

Even the simplest legislation is not self-enforcing; still less is labour legislation. By the very nature of the problems it is designed to meet, labour legislation must often be complex and technical and must always be expertly administered by officials whose competence and understanding compel the respect and co-operation of those with whom they have to deal. The job is not simply one of detecting and punishing offences. It is primarily one of education. The factory inspector should be also the factory consultant, willing, and able to spread the knowledge and appreciation of better factory “housekeeping,” better employment technique, and better labour conditions.

Quite apart from the improvement by new legislation of legal standards of employment conditions, the first step toward better conditions is the more effective administration of those laws now on the books. There is clear evidence that many of them are not effectively enforced, and cannot be made effective without some reorganization of both Dominion and provincial enforcement agencies, with more nearly adequate appropriations, and an increased personnel of higher qualifications.

This contention is reinforced by our analysis of the expenditures, personnel and activities of the provincial Departments of Labour.

The general inadequacy of provincial appropriations for labour law administration is shown by the fact that all the provinces together in 1933 spent for

general factory inspection and minimum wage enforcement only \$238,000.¹ This was only slightly more than one-third of the amount spent for comparable purposes in the State of Illinois,² which has approximately the same number of gainful workers, excluding agriculture, as Canada. While we spent only 2·3 cents per inhabitant, or 8·5 cents per non-agricultural worker, in the United States² they spent 4·7 cents or 14·9 cents, respectively. In comparison with our 8·5 cents, New York, which ranks fourth among the States in its relative expenditures for those purposes, spent 25·6 cents; and Massachusetts, which ranks twentieth, spent 14·1 cents; and New Hampshire, which ranks thirty-fourth, spent 9·7 cents. The differences in fact are greater than these figures indicate, for the Canadian figures include the cost of almost all phases of labour regulation except workmen's compensation, while the American figures exclude not only workmen's compensation, but also the administration of minimum wage laws and other labour laws relating to the employment of women and children.

In all Canada there are only seventy³ general factory or minimum wage inspectors, of whom sixteen at least have had only an elementary public school education or less, of whom none seems to have had university training. (It is not suggested, of course, that every university graduate could qualify as a factory inspector, or that all factory inspectors should have a university education.)

It would appear from such facts as these, that labour law administration in Canada must be improved by the increase of appropriations and by increased staffs of inspectors with the energy, education, and practical experience required for the satisfactory regulation of modern industry.

We urge consideration of the possibility of giving trade association and trade union executives, in industries which are well-organized and anxious to experiment with "industrial self-government," authority to make official inspections of employment and wage conditions. The extension of any such privilege should, of course, be surrounded with all necessary protection against its possible abuse. Such authorized inspectors should be required to report regularly, on approved forms, to provincial Departments of Labour the number and character of their inspections and full details of any other related activities.

(2) *Amendments to Present Provincial Labour Laws.*

We realize that in this section we may seem to transgress the letter of our order of reference, but we are persuaded that the satisfactory solution of these common problems calls for the utmost co-operation between all related Canadian agencies, both Provincial and Dominion. For emphasis and brevity some of the following recommendations are couched in very positive language, but, while not in any way desiring to be dictatorial, we should like to see the suggestions given very careful and sympathetic consideration.

(a) *Minimum Wage Laws.*—There are seven minimum wage laws now in force in Canada. In broad outline they are similar but there are important variations in details and in administrative policies or regulations, and certain weaknesses seem to have limited their effectiveness. Consideration of the following amendments, where not already made, is recommended to the provincial governments and minimum wage boards:—

- (i) The acts must be **enforced**. This requires a staff of specially qualified **inspectors**. Present methods, in some provinces, of reliance on unskilled co-operation from safety inspectors, on employer's reports of wage payments and on employee's complaints, are quite inadequate.

¹ This and similar facts from questionnaires sent to the provincial departments of labour, for the Commission, by the Dominion Department of Labour.

² U.S. Department of Commerce, Financial Statistics of States, Table II, excluding "regulation of labour—all other."

³ Not including boiler or mines inspectors, but including six persons whose full time is not devoted to this work.

- (ii) **Penalties** for violation should be increased. They should be more severe for second and subsequent offences, should include jail sentences and should be more nearly uniform throughout the provinces. Underpayment of each employee in any one week should be a separate offence. Enforcement by punitive methods should, of course, be the last resort of the Minimum Wage Boards, but since there is likely always to be a recalcitrant minority the penalties should be severe enough to make violation unprofitable.
- (iii) It should be the duty of Minimum Wage Boards and they should have power to order **restitution** when underpayment is discovered and to bring civil suit when necessary for the collection on behalf of the aggrieved worker of double the amount of any deficiency in wage payment which results from a breach of the minimum wage law. The worker should have a similar right to bring a suit for such collection with the payment of court costs, etc. To rely, however, for adequate enforcement on suit by the employee or informal pressure from the Boards, is not sufficient.
- (iv) All general **exemptions to firms** for "exceptional conditions" should be abolished. To permit them raises problems of inseparable administrative difficulty, may easily divert the attention of officials from enforcement to exemption, and tends ultimately to defeat the whole purpose of the law. An employer who cannot afford to pay the minimum wage is in the long run a detriment rather than a benefit to any community.
- (v) Similarly, the **eighty per cent clause** should be abolished. This recognizes as conformable to law piece rates under which only eighty per cent of the workers earn (or are paid) the minimum rate. This permits the abuses of "special money" and discriminatory "bonuses," facilitates evasion, and increases the difficulty of detecting violations. The main purpose of this provision can be sufficiently secured by a system of **individual** permits for handicapped workers, which is provided for in most of the acts.
- (vi) The practice of **averaging** should also be abolished. This recognizes, as conformable to the law wage payments which equal the legal minimum when averaged over a given period, often four weeks. The worker cannot tell, save in retrospect, whether the law is being observed, and a disproportionate amount of any investigator's time has to be spent on unnecessary arithmetic.
- (vii) The method of dealing with **inexperienced workers** should be revised. For most factory jobs a "learning" period of two years is unnecessarily long. If special rates must be set for learners, the proportion of them to the total force must be more rigorously limited. "Inexperienced" should be so defined—if necessary, new record or permit systems should be devised to prevent any newly hired employees being classified as "learners," despite previous experience in the trade. Actual experience in the trade, not length of service with any one firm, should be the criterion. The present practice encourages labour turnover by permitting the employer to replace workers eligible for the experienced rate by experienced, but new, workers at lower rates.
- (viii) The policy of setting **different hourly wage rates in different sections** of a province or in communities of different sizes should be carefully reconsidered. The lower wage costs in country towns are tending to undermine established rates elsewhere.

The alleged differences in costs of living are not always demonstrable. Even if living costs are lower in small places, the difference

can easily be regarded as compensation for the loss of some of the amenities of life in larger communities. Alleged differences in the efficiency of labour are irrelevant in setting a wage supposed to be based on cost of living, are not always demonstrable and may frequently be offset by differences in such other costs as rent and taxes.

- (ix) Careful and sympathetic consideration should be given to the possibility of providing for **minimum wage laws for men**. Otherwise the practice, so often illustrated in the evidence, will continue of substituting men and boys for women at wages below the legal rate that must be paid the latter. Even if minimum wages for men are not established there should be some general provision that no male worker may be employed at less than the legal minimum wage for a female worker in the same class of employment. The recent Quebec amendment of this sort seems defective in that it applies only to occupations and puts on the Board the problem of determining which occupations are customarily restricted to women.
- (x) Finally, the **administrative personnel** of minimum wage boards should never include partisan representatives of special interests. Otherwise, the situation may easily arise in which the personal interest of an individual, say as a manufacturer, may come into conflict with his interest and duty as an officer of the Minimum Wage Board.

Minimum wage laws do not attempt to fix wages but only to set levels below which wages may not fall. Nevertheless, the difficulties of practical administration are very real. Concessions to and compromises with these difficulties seem to have led to generally undesirable complexity. When, as in one order, provision is made for different rates in six classes of communities and for six classes of workers; when the hours for which these rates are payable vary according to both the size of the community and also the regular hours normally worked by the firm; when the minimum wage may be averaged over four weeks; when the minimum wage is payable only to eighty per cent of the workers; when the major instrument of investigation and enforcement consists of the employers' own reports of wage payments for sample weeks, then the law and its administration begin to develop technicalities which defeat its purpose. Whether the A.B.C. firm violated the law by paying Miss Smith 15 cents an hour during a particular week is not now an easily answerable question. It has become a question of law, custom, history, geography, accounting and arithmetic. Probably the A.B.C. firm does not itself know. Certainly Miss Smith will never know. Only the most expert and unhurried inspector could ever find out.

It may well be that some of these complexities betray an underlying inadequacy in "cost of living" as a basis for minimum wage determination and that the economic purpose of the minimum wage law should be broadened to include, as in laws passed recently by several American states, other criteria of "fairness." Some of these might be the prevention of "oppressive" wage levels, or of wage levels that engender "cut-throat competition," or of wage rates that are substantially lower than representative firms pay in the same or similar industries, or of wage rates that are "less than the reasonable value of service rendered." The attempt to differentiate between the experienced and inexperienced workers and between large and small communities suggests that there may be a real need for the supplementing of minimum wage determination with some attempt to fix basic differentials, for skill, etc., above the minimum. The possibility of such a program, however, despite the apparent tendency in this direction, is so uncertain from the point of view both of policy and of administrability, that exploration of the whole problem should be one of the first tasks of the new Division of Standards, the creation of which in the Department of Labour, we recommend below.

It will later appear that we recommend also the consideration of bringing minimum wages, as well as other labour laws, under Dominion jurisdiction. We cannot do so without making passing mention of the standard argument that the minimum wage will tend to become the maximum.

We are advised that the reports of every special investigation into the effects of minimum wage laws, and the regular reports of all established and reasonably effective minimum wage boards demonstrate, first, that minimum wage laws have raised the wages of the lowest paid workers and, second, that a substantial proportion of the workers in all affected industries have continued to receive more than the minimum. This general experience is confirmed by certain of our investigations, even in this period of depression. In retail trade, for example, it is quite clear that the fixing of a minimum wage rate for women of about \$12.50 per week, has not prevented a substantial proportion of employees from receiving more than this minimum. At least 44 per cent of the female store employees in T. Eaton Co., Toronto, and 43 per cent in the Robert Simpson Company, Toronto, are receiving more than the legal minimum. In mercantile trades generally, in Ontario and British Columbia, 47 per cent and 32 per cent of the workers, respectively, receive more than the minimum wage. Further, such figures as these do not mean that all these getting more than the minimum are getting only a few cents more. In Ontario, for example, according to the report of the Ontario Minimum Wage Board, 1930, 20 per cent of the female employees in retail stores received from 50 cents to \$2.50 per week more than the minimum wage; 24 per cent received from \$2.50 to \$5 more; 18 per cent received more than \$5 in excess of the minimum. In 1933, because of generally depressed conditions, the percentages receiving more than the minimum were, of course, much smaller.

The consensus of opinion among students of the subject, appears to be that the passage of a minimum wage law does not give employers any power that they would not otherwise possess to cut higher wages, and that, after the passage of a minimum wage law, all the usual wage differentials resulting from chance, skill, bargaining power, etc., continue to be maintained.

It is conceded that, if any given scale of wage rates is being maintained only by inertia, the injection of any new feature into the labour market situation, might occasion a reconsideration and readjustment of basic wage rates and wage differentials. The passage of a minimum wage law might be such a new factor, tending to disturb the inertia of customary rates; but it does not follow that, after the passage of a minimum wage law, such readjustments would always take place, or if they did take place, that they would be *caused* by the law; or that they would always be downward; or that, if downward, they would always bring the maximum and minimum together. It is conceded further that, in times of depression, the minimum may sometimes tend to become the maximum but this does not seem to be a conclusive argument against minimum wage laws. This simply means that the pressure of economic forces pushes the flexible maximum down to the level of the relatively inflexible legal minimum. This has happened recently in some degree, in certain of our most depressed industries, but it should be emphasized that, even under such conditions, all the workers are still absolutely better off than they would have been without the minimum wage, although some of them do not continue to enjoy their usual differential advantage.

Minimum wage laws are not intended to raise *the general level of all wage rates*. They are intended to raise wages only of the lowest-paid group of workers, who are so circumstanced that they cannot help themselves. The consensus of opinion seems to be that this objective can be accomplished without impairing the higher earnings of the more skilled or more fortunate workers.

We should like here to stress our opinion that minimum wage laws do not and are not intended to set wage rates that could be regarded as fair for all workers, and further that we cannot now regard most established minimum rates as fair or adequate for workers generally.

It is possible that a minimum wage law, unwisely drafted and administered might, in the long run, adversely affect economic welfare, but any such contention would have to rest on a much firmer theoretical foundation than the current fear that minimum wage law would reduce all to a low level of uniformity.

We are compelled, however, to admit that the minimum wage law has been used by some employers as a whip to speed up production beyond the limits of reasonable tolerance. Evidence to this effect, especially in the needle and leather shoe industries, was presented to us with monotonous regularity. We deplore such anti-social industrial relations policy, whether found in the factory of a large department store or in the sweatshop of an almost bankrupt employer.

But, apart from the defects of the minimum wage administration to which we have previously referred, we cannot attribute this speeding-up to the law itself. It could easily be demonstrated that similar speeding-up obtains in industries for which there are no minimum wage decrees, and that this abuse develops partly from the ways in which unscrupulous or desperate employers use the device of payment by piece rates, partly from the general competitive pressure for lower monetary costs at any price of increased human costs.

(b) *Regulation of Hours of Labour.*—Many provincial hours of labour laws, such as those in Quebec and Ontario, which permit women to work normally 55 to 60 hours per week and as much as 72 hours under certain circumstances, are so obsolete that revision is badly needed. To suggest the necessary changes in the several laws, which vary greatly in coverage, standards and administration, would exceed the scope of this report. Several general principles, however, can be suggested for consideration when revision is undertaken.

- (i) The same agency that administers the minimum or other wage laws should have and exercise the authority, as in British Columbia, to determine both the hours for which the minimum wage is payable and the maximum hours which may usually be worked. Changing economic conditions demand a more flexible procedure than the ordinary legislative process for the setting of hours and other conditions of labour. A board of commission which can be trusted with the task of translating the general wage policy of the legislature into concrete and specific regulations, would be equally competent to determine the hours of labour.
- (ii) Maximum hours of labour for men as well as for women should be established by law.
- (iii) The standard hours of labour should be greatly shortened and should not exceed forty-four per week. The possibility of long hours of labour in rush seasons encourages hand-to-mouth buying, rush orders, and other purchasing policies which hamper the regularization of employment. There is no reasonable excuse for excessively long hours, followed by short-time or unemployment, no good reason for one plant working overtime, while many others stand idle.
- (iv) Occasionally there do arise special circumstances that require flexibility in the hours of labour, but the system of frequent permits to work overtime is impossible to administer equitably. It is recommended, therefore, that the laws be amended to state the length of a normal week, with a provision that time and a half be paid for all overtime up to, say, 55 hours and double time thereafter. Permit long hours but penalize them. Under such a provision most employers would discover a means of avoiding the situations which now seem to necessitate overtime. Rush orders would be properly more expensive and would decrease. Production would not be limited, but be only

more orderly. Nevertheless there would be sufficient elasticity in the law to permit the adjustment of hours to any real emergency or very profitable opportunity.

(c) *Employment Records*.—Minimum wage laws usually require employers to keep records of the hours worked by, and the wages paid to all female workers, but it is surprising how many employers, usually in small firms, comply, if at all, with the minimum letter of the law only.

The first requirement of a sound industrial relations policy is that each worker should know definitely the terms and conditions of his employment and should know exactly how much he has earned in any given period, etc. Any intelligent employer, of course, would wish this for his own information, and such information should be readily available not only to labour law officials but, in statistical summary, to all agencies which attempt to formulate business or industrial policy. Without adequate plant records, there is missing the whole foundation of factual knowledge which must support efficient business management, sound industrial relations, effective law enforcement, useful business, economic, or social research, and intelligent policy.

The record-keeping provisions of minimum wage laws should therefore, be generalized to require every employer to keep, in either French or English, for every employee a simple set of basic records, including such elementary facts as name, address, sex, age, wage rate, hours worked and earnings. The provincial departments of labour or perhaps the recommended "Division of Standards," could devise simple record systems for those employers who need such assistance.

Other required revisions of our provincial labour laws may perhaps be sufficiently indicated by the later indication in Annex V, Chart VIII, of Canada's relation to the International Labour Organization.

At the risk of tiresome repetition, it must be emphasized again that the first step toward improved conditions is better administration of such laws as we already have. Many of their administrative provisions could be improved, many of the standards they set could be raised; but no amendment, however far reaching, will obviate the basic necessity for improved administrative personnel—non-political, professionally trained, experienced and permanent—backed by intelligent public understanding and co-operation.

(3) *New Provincial Labour Laws.*

The emphasis previously placed on the necessity for improving the standards in the administration of the laws we already have, does not exclude the desirability of new legislation.

We have previously recommended the more adequate recognition of trade unionism as a major agency not only to equalize bargaining power but also to assist in the development of industrial policy.

Such recognition as indicated above could be accomplished by a positive declaration of public policy. This, in turn, could be supplemented by legislation patterned after either the *British Cotton Manufacturing Industry (Temporary Provisions) Act, 1934*, the *Quebec Collective Labour Agreements Extension Act, 1934*, or certain parts of the *American National Industrial Recovery Act, 1933*.

While the British and Quebec Acts differ in some important details, they seek essentially the same ends by roughly similar methods. The British Act makes binding, after hearing by a special Board and an order by the Minister of Labour, upon all employers and workers in the cotton-weaving industry, the wage provisions of any trade agreements entered into by the employers controlling a majority of the looms. Under the Quebec Act, the Lieutenant-Governor in Council may, after petition and hearing, order the extension, to the entire industry in any economic region; of the wage and hour provisions of any

collective trade agreement, which has "acquired a preponderant significance and importance for the establishment of conditions of labour in a trade or industry. . . ." The contract thus extended is legally enforceable and is to be administered by a joint-committee set up by the parties to the collective agreement. Except by express provision and agreement, this extension, however, may not modify any existing contracts to the disadvantage of those workers who enjoy better terms than those of the collective agreement.

So little time has passed since these laws have gone into operation that it is too early to expect any demonstrable proof of their effectiveness. However, since they have been developed out of experience and represent only an extension of current practice, there is every reason to anticipate that they may achieve considerable success in restraining uneconomic wage-cutting. Their particular merit seems to lie in the opportunity they give for genuine self-government in industrial relations, under government supervision, supported by public law, but without the development of bureaucracy that more direct governmental regulation might necessitate. It should perhaps be noted that this method of extending trade agreements is not unlike that of Section 7 (b) of the American NIRA, which seems, however, to have been little used, in comparison with the more usual method of code drafting and approval.

We recommend serious consideration of laws extending collective labour agreements but we suspect that further experience will reveal possible undesired and undesirable results that may follow their careless drafting or enforcement. We recommend the adoption by other provinces of laws similar to the Quebec Law only if they can be drafted to cover the four following points:

- (i) The right to strike must not be impaired in any degree by such a law.
- (ii) The circumstances in which an agreement would be eligible for extension and enforcement must be more specifically defined than by any such general phrase as "preponderant significance."
- (iii) The law must be drafted and enforced in such a way as to avoid, under colour of an approved agreement, the crystallization or "freezing" of low wage rates.
- (iv) The law must further be very carefully drafted and administered to protect the public interest against the possible dangers of a monopolistic combination of employers and workers.

(4) *Amendment to or extension of present Dominion laws and practices.*

Within the traditional interpretation of the constitution, our possible recommendations for Dominion action are limited to the four following:

(a) *Amendment to the Criminal Code.*—Certain industrial relations policies and practices are so obviously undesirable and so clearly "fraudulent" that some remedial action might be directed against them through the amendment of the Criminal Code. Without entering into either technicalities or details, we recommend that the paying of less than a determined minimum wage rate, or knowingly permitting employees to work beyond the maximum hours fixed by law, or the falsification of any employment record required to be kept by law, or the punching of time clocks with intent to deceive, or the putting of the pay of more than one worker in the same envelope, with intent to evade the provisions of any minimum wage law, or the making of unwarranted deductions from an employee's earnings for any purpose not approved by competent public authority or the illegal employment of children, and other similar practices, be declared indictable offences punishable by very heavy fines and or imprisonment.

(b) *Fair Wage Policy.*—The Dominion's present fair wage policy is embodied in a series of Parliamentary Resolutions and Orders in Council supplemented by the *Fair Wages and Eight-hour Day Act, 1930*. The Act applies only

to Government construction work and the present policy, therefore, with respect particularly to work other than construction work, seems to be defective in three respects:—

- (i) "Fair" is defined as "prevailing" although many currently prevailing wage rates are clearly unfair, when compared with rates in other places, cost of living, or the employer's ability to pay. This defect is evident in the terms of Order in Council P.C. 3271, December 31, 1934, which seems to give Government sanction to wage rates lower than we should regard as reasonable.
- (ii) The inclusion of a fair-wage clause in a contract seems to be not absolutely mandatory and may sometimes be omitted, either by mischance or at the discretion of the contracting department. The policy also seems not to be automatically applicable to those contracts for relief supplies which are let by provincial administrations but paid for in part by Dominion funds.
- (iii) In administering this policy the Department of Labour seems to have received an excellent measure of co-operation, both from contracting departments and from provincial minimum wage boards, but it is hampered by not having complete initiative and authority to administer the policy.

We recommend, therefore, that the Act of 1930 be amended:

- (i) To cover all Dominion contracts and all contracts to be financed, even if only in part, by Dominion funds;
- (ii) To authorize the Department of Labour to determine and define "fair wages and conditions" for the industries or occupation affected;
- (iii) To restrict the bidding on such contracts to those firms which, after investigation, are listed by the Department of Labour as regularly maintaining fair wages and other conditions. The continual preparation and revision of a list of eligible bidders would be more economical than our present system of *ad hoc* investigation and would have the auxiliary advantages both of publicizing approved employment standards and of building up in the Department of Labour greatly increased knowledge of wage rates and conditions. It should be mandatory for the Department of Labour to place on this list any eligible applicant, and new firms, which of course have no previous record of employment standards, should be automatically eligible for inclusion until their employment conditions prove unsatisfactory.

(c) *Industrial Disputes Investigation*.—If the Government is prepared to declare a public policy with respect to the right of labour organization and collective bargaining, as recommended previously in this report, it should implement this policy by *four amendments* either to the I.D.I.A. and its administration, or to government policy in setting up boards of inquiry under the Public Inquiries Act:—

- (i) The appointment of Boards of Investigation should be encouraged not only when an industrial dispute threatens but also when complaint is made that improper intimidation or discriminatory action has been taken either by employers or workers.
- (ii) Without extending the restriction of the right to strike as in public utilities, a wider range of industries and occupations should be brought within scope of the Industrial Disputes Investigation Act, or some related Inquiries Act. The Dominion should have authority to investigate any industrial situation which may either endanger general economic welfare or create avoidable social unrest.

- (iii) There seems to have developed a policy of appointing as chairmen of the boards only persons with judicial experience. Such experience and training, however valuable, is no assurance of effectiveness in **negotiating** a settlement. Chairmen should be selected, not for their judicial capacity to define and emphasize **differences of opinion and interest**, but for their ability to strengthen **points of agreement** and to conciliate the differences.
- (iv) The machinery of conciliation should be set in motion, without waiting for a formal request, whenever it is learned that an industrial dispute impends.

(d) *Better labour statistics.*—It has been emphasized above that labour legislation is neither self-generating nor self-administering. Accurate information about industrial and employment conditions is necessary, not only as a guide to the determination of legislative policy, but also as a criterion of the effectiveness of administrative technique and as a stimulus to administrative industry and integrity. Despite the excellent work of the Dominion Bureau of Statistics, within the range of its authority and the possibilities of its appropriation and staff, all the problems presented to this Commission have been complicated by a general lack of economic facts of critical significance. The Commission has had to spend much of its own time and much money on the unearthing of facts which should have been readily available. We have unfortunately, therefore, had to become more of a fact-finding than of a deliberative body. Before Canada can act intelligently with respect to most of the problems now under consideration, it is essential to have more factual information about such basic economic data as wage rates, earnings, cost of living, unemployment, labour turnover, etc. Accounting and statistics may seem dull and pedestrian proposals, but they are the only keys that will unlock the first barriers to better conditions. It is often alleged, for instance, that regional differences in wage rates are no more than sufficient to offset regional differences in the cost of living and the efficiency of industrial workers. Such matters should be settled by the arbitration of fact and not left in the realm of speculative opinion and belief.

We recommend that the collection of all labour statistics be centralized in the Dominion Bureau of Statistics, that such wage statistics as are now collected by the Department of Labour be expanded, if necessary, to produce weighted average wage-rates by industry, occupation, and locality, and that they be supplemented by the renewed collection of wage statistics by the Census of Manufacturing and Distribution.

We recommend also that the present Canadian indexes of retail prices, which are supposed to provide also an index of changes in the cost of living, be supplemented by a national investigation, such as the Bureau has recently made on a very small scale for civil servants, into cost of living budgets. These would provide an estimate of the cost of living in absolute figures for different localities, would provide a measuring rod for the present adequacy of earnings, would clarify the problem of regional differences in wage rates, and would facilitate the determination of wage policy by individual employers or other agencies. It is perhaps relevant to remark that the same range of problems in the United States, especially in connection with the Recovery program, has created a recognized need for such a study, which has already been started in several representative localities. Such a study further would provide a more adequate basis than any we now have for a periodical index of changes in the cost of living.

This special mention of the basic industrial facts of wage rates, earnings and cost of living, does not restrict the generality of the foregoing recommendation for extended and improved labour statistics. It should be unnecessary to

argue the need for similar statistics of labour turnover and labour productivity, etc. We should set as our objective and should spare no reasonable cost to achieve, the same volume and quality of fact-finding work that the Statistics and Intelligence Branch of the British Ministry of Labour has done since 1896. It is difficult now to realize that in 1900 this was supposed to be the model for our own Department of Labour!

(e) *New Machinery for Publicity and Education—A Division of Service and Standard in the Federal Department of Labour.*—Facts, however adequate, do not always come to public attention or tell their own story in language intelligible to the average worker, employer, or citizen. It is necessary, therefore, to supplement the work of fact-finding by education and publicity about the significance of facts. The publications both of the Dominion Bureau of Statistics and of the Department of Labour need to be supplemented by many more popular newspaper releases and bulletins. These agencies are dealing with problems which are of vital importance not only to the national economy of Canada, but to the life and well-being of every individual resident. Their publications should be as widely accessible and as interesting as the current reports of murder and divorce cases.

Publicity and education should not only be directed to the general public, to develop an appreciation of existing conditions and problems, but should also be directed to administrative officials and employers to inform them about the development of new techniques, devices, and standards. Every governmental labour official, whether Federal or provincial, and every trade association and trade union officer should, of course, be an agent for such education and publicity, but it is necessary also to have a central research and publicity staff.

The logical location for this is in the Federal Department of Labour. The terms of its original constitution would seem to have conceived this work as one of its two main functions, but it has been so burdened in succeeding years with miscellaneous administrative duties, that the central purpose seems to have been lost sight of. It is not to be expected that over-burdened administrators will have much time or opportunity for research or reflective thinking. All too quickly they get swamped by the pressure of immediate responsibilities.

We recommend, therefore, that there be created in the Federal Department of Labour an entirely new division under thoroughly competent supervision, adequately staffed and financed, called the *Division of Research, Standards and Service* having the following functions:—

- (i) General research into industrial relations problems. If such research should necessitate also statistical investigation, the study should be planned by this division and done at its request by the Dominion Bureau of Statistics.
- (ii) The provision of information, advice, and service to provincial departments of labour, employers and workers.
- (iii) The drafting of model labour statutes with explanatory memoranda for legislative committees, etc.
- (iv) The planning and management of Dominion-Provincial Conferences on matters such as international labour conventions, or uniform provincial labour laws.

The creation of such a division would multiply many times the present usefulness and significance of the Federal Department of Labour, would stimulate the work of all Provincial Departments of Labour and would develop a widespread public awareness of economic conditions and industrial problems. Incidentally, it might be mentioned that, within the last three months, such a new division has been formally created in the United States Department of Labour, although this Department, like ours, has always attempted to perform this function in a limited and informal fashion.

b. National Regulation of Employment Conditions, Requiring either Constitutional Change or Special Effort to Overcome Constitutional Obstacles.

(1) The Need for National Uniformity.

In a federal state, differences in legal standards for employment conditions under different jurisdictions and, in a large state, differences in actual employment conditions in different regions, often engender a form of unfair regional competition, which prevents any stabilization of the labour market.

That labour laws differ from province to province needs no demonstration. Some of the major variations are indicated in Annex V, Table 122. This includes for comparative purposes also a digest of the laws in four American States, each roughly comparable with certain Canadian provinces. The differences in general standards are, however, less important than differences in details, which often determine the exact scope and meaning of each law; and are much less important than differences in the respective efficiencies with which the several administrations enforce their laws.

Labour legislation, typically, sets only minimum conditions. Actual employment conditions may vary even more than minimum standards. Annex V, Table 122, shows some of these variations between the different provinces in hourly wage rates, weekly earnings and hours of labour.

Wage rates for common labour in factories varied from 88 per cent to 132 per cent of the Dominion average; weekly earnings of all male workers in manufacturing, from 59 per cent to 109 per cent of the average; average hours of labour in factories from 111 per cent to 95 per cent of the average. For purposes of more detailed comparison, there are included figures for machinists and female sewers. The first is a skilled, more or less well-unionized, occupation; the second is semi-skilled and probably chiefly unorganized. The range of variation in the first, 93 per cent to 109 per cent, is much less than that in the second, 72 per cent to 112 per cent.

Since most Canadian manufacturing is concentrated in Quebec and Ontario, particular attention should be directed to the differing conditions in these two provinces. It has often been alleged before this Commission that the generally lower wage rates and longer hours in Quebec are making it impossible to maintain the higher levels in Ontario. The same sort of complaint is made also about small-town competition in both provinces, with the larger cities such as Toronto and Montreal. We have received some evidence that tends to confirm this allegation.

There can be little doubt that there is growing public recognition of the need for uniformity in labour legislation. It is interesting to note that the advocacy of Dominion jurisdiction in this field dates almost from the very first realization that the British North America Act was interpreted as not providing for the national regulation of employment conditions. The Ontario Manufacturers Association in 1885, the Canadian Trades and Labour Congress in 1887, and frequently since then to date, the Royal Commission on the Relations of Capital and Labour 1889, and the Dominion Commission to inquire into the sweating system in 1895, all recommended that the regulation of employment conditions should be a function of the Dominion Parliament. The National Industrial Conference, 1919, likewise recognized the advantage of uniformity in the Labour Laws of the Dominion and passed the following resolution:—

That the advantage of uniformity in the laws relating to the welfare of those engaged in industrial work in the several provinces of the Dominion of Canada be brought to the attention of the Government of Canada and of the Governments of the several provinces, respectively.

The Dominion-Provincial Commission, 1920, appointed as a result of this resolution, represented a useful approach to the solution of this problem which, unfortunately, has not since been followed up with sufficient vigour.

(2) *Methods of Achieving Uniformity.*

Uniformity in labour standards can be achieved by one of two methods: directly, by Dominion Legislation; indirectly, by inter-provincial co-operation under the leadership of the Federal Department of Labour in the enactment of uniform legislation, or by the method in which the Dominion Parliament enacts legislation which goes into force only on the passage of concurrent provincial legislation.

(a) *Dominion Legislation. — Reservations and Qualifications.* — It would seem that Dominion labour legislation, if feasible and constitutional, would best achieve the objective of substantial uniformity in labour standards, but we realize that, even if the constitution is interpreted or amended to give the Federal Parliament jurisdiction over labour and wage matters, uniform or national legislation setting minimum standards of employment conditions does not necessarily imply centralization of administration and enforcement and absolute uniformity of actual employment conditions. In a country such as Canada, with great geographical distances and significant differences in regional conditions, it will be necessary to reconcile the need for general competitive equality with the recognition of appropriate, permissible, regional variations.

Under present arrangements, provincial legislatures enact minimum wage laws in very general terms which minimum wage commissions thereafter supplement by detailed orders, rules and regulations, applicable to different sections of the province. In the same way, the Dominion Parliament might, within the limit of its competence, enact legislation, general in its terms and coverage, which provincial departments of labour or other decentralized agencies would supplement with particular orders applicable to district or provincial conditions. These national laws and the orders or regulations thereunder should then be administered decentrally under Federal supervision and in accordance with defined standards of administrative efficiency.

We appreciate a possible danger in that the enactment of Dominion labour legislation may discourage more progressive provinces from experimenting with higher labour standards. If it is constitutionally possible under some arrangement similar to that provided in Section 95 of the British North America Act, we should like to recommend Dominion legislation, with the reservation that any Dominion law should be so phrased as to permit and encourage the establishment of higher standards by concurrent Provincial legislation. In other words, we should like to see any Dominion minimum wage law, for example, first, administered decentrally under federal supervision, second, with a reasonable but not more than reasonable regional variation in wage rates, and third, with an express provision that the minimum wage rate in any province should be either the rate thus provided or the rate set by a competent provincial authority; whichever is higher.

The constitutional question of the competence of the Dominion Parliament in this field is one that should be explored and settled by the proper authorities. If the competence of the Dominion Parliament is so circumscribed that it is impossible to enact Dominion legislation, then we recommend that the British North America Act be constitutionally amended as soon as possible to settle this question.

(b) *Interprovincial Co-operation.*—Pending the settlement of the constitutional problem, it may be necessary to seek uniformity by alternative methods. The first of these is interprovincial co-operation in the enactment of uniform legislation.

The possibilities of this method have been demonstrated in Canada to mention only a few illustrations, by the success of the Dominion Bureau of Statistics in achieving uniformity in the collecting of vital statistics and by

the work of the Association of Workmen's Compensation Boards of Canada, the Association of Provincial Insurance Superintendents, and the Conference of Commissioners on Uniformity of Legislation. It has been similarly demonstrated in the United States by the work of the National Conference of Commissioners on Uniform State Laws and by the recent development of Interstate Compacts Affecting Labour and Industries.

Mere willingness to co-operate, however, will not of itself draft or enact uniform laws. Interprovincial co-operation requires continued leadership and hard work. The machinery for co-operation already exists in the Dominion-Provincial Conference, but if this work is to be effective, the agenda for each meeting must be restricted at the most to not more than one or two concrete problems, and the work of the conference must be planned in advance with prior circulation of memoranda of information and tentative draft legislation. The outcome of the conferences must consist not of resolutions but of uniform bills drafted, re-drafted, and amended until agreement on their terms is obtained; and thereafter the delegates should return to their respective jurisdictions under a recognized obligation to stimulate legislative acceptance of the bills as drafted.

One essential condition of effective Dominion-Provincial Conferences on industrial and labour questions is that their personnel should consist not merely of political heads of departments, but also of technical experts. The work of such conference is not so much the determination of policy as the determination of detailed methods by which generally accepted policies may be put into effectively uniform operation. The task, therefore, is one for technical experts in co-operation with their department heads. Unless the provinces are already in substantial agreement on policy, the subject is not one for a Dominion-Provincial Labour Conference although it may properly be considered at some more general conference of this same sort.

In the very difficulties that confront the achievement of uniformity by interprovincial co-operation may be found the greatest value of this method. It is much easier to enact one Dominion law than to agree upon the terms of and enact nine uniform Provincial laws. It will be correspondingly easier to overlook the critical problem of administration and to assume that the passage by itself of a Dominion law will solve a problem. The painful process of hammering out an agreement on details by the representatives of nine jurisdictions is likely to remind all those concerned with the problem that the law is not operative until it is effectually enforced.

The necessary stimulus and leadership for effective interprovincial co-operation in these matters can normally be expected to come from the only agency which considers those problems from a national point of view. It is for this reason, among others, that we have already recommended the creation in the Dominion Department of Labour of a new division which would assume the responsibility for preparatory and technical work of this kind.

Another alternative to Dominion legislation is the delegation of specific authority to the agencies of the Dominion Government by provincial enabling or concurrent legislation. This is the method used for the creation of uniformity in employment office legislation, the handling of industrial disputes, old age pensions and, more recently, the marketing of natural products. The problems presented to the Commission are too complex and intricate to be solved satisfactorily as a whole by this rather cumbersome procedure, but there are undoubtedly many individual phases of these problems that, if more adequate treatment is not now possible, might be partially dealt with by this method.

(3) *Recommendations with Respect to National Uniformity.*—

We attach such importance to national uniformity in employment standards and conditions that we regard the following self-explanatory recommendations as the heart of this section of our report. In comparison with these, our other proposals, expressed and implied above, though we regard them as important, are only incidental. We recommend:

- (a) Thorough exploration of the constitutional possibility of the enactment of Dominion labour legislation.
- (b) If such legislation is now precluded by insuperable constitutional obstacles, the necessary amendment of the B. N. A. Act.
- (c) The creation of an unpaid, permanent, representative, rotating, and non-partisan, Advisory Council to the Dominion Minister of Labour, for the following purposes:
 - (i) To work out the general principles and procedure of effecting the necessary readjustments after the Dominion legislation is enacted.
 - (ii) To plan for decentralized but uniformly efficient administration, through provincial Departments of Labour, if possible.
 - (iii) Regardless of the enactment of Dominion labour legislation, generally to encourage and promote public understanding of the problems of labour relations, legislation and administration.
 - (iv) And for such other purposes as the Governor in Council or Minister may determine.
- (d) Pending the settlement of the constitution question of dominion or provincial competence, annual convocation of a Dominion-Provincial *Labour Conference* to consider:
 - (i) Methods of harmonizing provincial labour legislation.
 - (ii) The implementing of International Labour Draft Conventions.

We recommend also in this connection that the agenda for such Dominion-Provincial Labour Conferences and all memoranda be drafted and circulated by the proposed Division of Service and Standards of the Dominion Department of Labour.

We suffer no illusions about the difficulty of the task before us and we are well aware of the limited possibilities of immediate and complete social reform. We wish to arouse no hopes that even the forthright and complete acceptance of all our recommendations will effect a permanent solution of the riddle of social justice. But we urge grave consideration of the possibility that a refusal to take these first steps on the road we are venturing to point out may have disastrous consequences.

CHAPTER VI

THE PRIMARY PRODUCER

1. INTRODUCTION

This chapter summarizes our investigations into the plight of the primary producer. These can be epitomized at once by saying that the prices of the primary products, into which we have made inquiry, have fallen far below the point that would permit the maintenance either of operating efficiency or of a reasonable Canadian standard of living. Yet, it is the most obvious platitude to state that, unless the primary producer in this country is restored to a position where he has purchasing power commensurate with his importance, there can be no stable basis for prosperity. Though the truth of this statement is admitted by all, the fact remains that, as stated in our opening chapter, the primary producer has borne the brunt of the depression. He was the first, and the greatest sufferer. Other groups in the community were able, to some degree at least, to protect themselves from the full effects of the storm, but the farmer has been defenceless, or almost so, throughout. The manufacturer, the middleman, the distributor—all have attempted and, in some cases, have successfully attempted to operate on a cost-plus basis. What the farmer secured as the price of his labour often had no relation whatever even to direct costs. He, too often, has taken what was left after other interests have secured their share of the consumers' dollar.

In this chapter, as with the chapter on industry, we will have to treat the problems presented in different ways. This is due to the fact that our investigations were of necessity not always conducted along exactly the same lines. Therefore, no exactly similar approach can be made to the problems of the four groups of primary producers who have been brought to our attention; the live stock producer, the fruit and vegetable grower, the tobacco grower, and the fisherman. One unifying idea, however, runs throughout this whole discussion of the plight of the primary producer in whichever of the above four fields he operates, the idea of exploitation.

The term exploitation is used in two senses. In popular use the word means unfair utilization of others for one's own selfish ends. This is what is meant by saying that certain workers are sometimes "exploited" by grasping employers, or certain primary producers "exploited" by over-reaching buyers. This meaning carries an implication about ultimate standards of social justice and an appeal to social sympathy. It carries, also, an implied condemnation of the "exploiters." The evidence leads us to believe that many primary producers have definitely been thus exploited.

But this idea of "exploitation" is not a very satisfactory device for further economic analysis. We, therefore, restrict the use of the word in this chapter to a technical economic meaning which has been recently developed, chiefly by English economists. Exploitation, in this narrower sense, exists where producers are paid less than the buyers are prepared to pay for the *whole quantity on the market*. This use of the term does not imply any standard of justice. It does not cover all the cases of low earnings which may appeal to one's sense of justice as demanding redress. It simply accepts as proper and fair the price which would be established if simple competition obtained, even though that price may be undesirably low. When many competing sellers are faced by a few buyers who act in concert or who tacitly agree to follow the lead of the

larger buyers, then exploitation becomes possible. The buyers may get the whole supply at a price less than they would be prepared to pay under conditions of simple competition. This price is then "unfair" as a result of inequality in bargaining power between buyers and sellers. The latter have been "exploited."

Such a situation may be remediable. Although it may be impossible really to restore competition among the buyers, it may be possible to improve the bargaining position of the weak sellers. The exact measures which this will necessitate vary according to the particular characteristics of the occupation. Few measures are likely to be equally applicable to fish and tobacco, to wheat and live stock. Fundamentally, however, the problems are similar in that they grow out of imperfect competition.

Remedial proposals must, however, be viewed with caution. Price-fixing, for example, may be dangerous in that, although one may fix the price by authority, one cannot force people to buy at that price. The fixed price may be too high to "clear the market" and, unless the supply is pooled, some unlucky sellers may be left with their stock unsold. The fixing of price, further, may have unintended effects on future production and supply. Too high a price may stimulate increased production and ultimately thus defeat itself. This danger is particularly serious if the increased production, as that which resulted from the British plan for rubber "valorization," takes place in some producing region outside the control of the price-fixing authority. Price-fixing must, therefore, be associated with production control. This, however, may at times become an exceedingly complex problem. If, under a pooled marketing scheme, the price is fixed too high to clear the market, the unsold surplus must be carried over, dumped or destroyed. All three procedures have serious disadvantages. The possibility of successful price control is further diminished by any dependence on export outlets. Effective price control of an export commodity may involve some sort of discrimination or dumping, which may provoke retaliation from abroad.

Other remedial proposals—the diversion of production to more profitable alternative lines, improved marketing machinery to cut the cost of distribution or to increase the bargaining power of the sellers, the stimulation of consumer demand by advertising or improved quality—are more difficult to initiate but, if carried through, may produce more durable results. Whatever the remedy finally selected there is sound theoretical justification for state intervention and leadership in any situation where imperfect competition produces exploitation.

The strongest case for such intervention arises when the sole (or concerted) buyer of raw material is also a monopolist in the sale of the finished product. As a monopolist, he will tend to limit his sales to that amount which will yield the maximum net profit. This implies a restriction of his purchases of the raw material, no matter how low its price may fall. His operation is doubly disadvantageous to the primary producer, first, by depressing the price below the point that free competition would establish and, second, by absolutely limiting the total amount of raw material purchased.

It is clear that the fundamental problem of the primary producer is finding profitable markets. The difficulty is not that he cannot produce enough goods. Nor is it that, having regard to potential demand and consumption, he produces too much. Neither is it that his products are not needed and desired. It is simply that they cannot be sold at a price sufficiently high to maintain a reasonable standard of living for the producer nor, paradoxically, bought at a price sufficiently low to permit necessary consumption by all in need. Competition might, it is true, "in the long run," adjust this situation. But the short-run starvation of the primary producer may well diminish his vital interest in the successful functioning of economic laws in the long run. At the same time,

free competition in the international market, is checked on every hand by tariffs, quotas, exchange restrictions, and embargoes. The primary producer is therefore denied the possible benefits of free competition in the buying markets of the world; is exposed to all the rigours of free competition in production at home, and finally, is subjected to exploitation by outright monopoly or imperfect competition among the domestic purchasers of his products.

Apart from government control of production and prices, which is discussed later in this section, only two remedies are available for the immediate emergency: enlarged markets, and the utilization of improved marketing machinery to prevent exploitation.

The possibility of increased exports must continue to be vigorously explored by government through reciprocal trade agreements and by educating the producer in the requirements, the idiosyncrasies perhaps, of foreign markets. It involves also a flexible tariff policy. But no government can do as much for the producer as he can do for himself in co-operation with his fellows. The utmost effort of government in trade promotion must be backed up by co-operative exploration of every marketing technique to meet foreign or other requirements.

The same principle obtains in the utilization of marketing machinery for domestic purposes. This machinery has been provided by the Natural Products Marketing Act, 1934, whereby Canada joined those countries, now 38 in number, which have passed legislation designed to facilitate collective bargaining by primary producers. When the small producer faces the big buyer, the government cannot directly prevent exploitation; but it can point the way to self-protection for such producers by encouraging co-operation even, possibly, to the extent of coercing a small and recalcitrant minority.

There is danger, of course, as we have indicated above. The danger is that by co-operative restriction of supply, the primary producer may so raise price that he not only protects himself from exploitation, but becomes in turn an "exploiter" of the consuming public. But the persistence of unco-operative individualism among primary producers, and legislative safeguards serve to neutralize this danger.

Something also can be done to lower the price of the things the primary producer buys. But in a world of growing monopoly and increasingly imperfect competition, the immediate results of such a policy may be limited. In any event, every effort should be made to raise the price that the producer receives for his product. The problem here is essentially a marketing one. One approach towards its solution is, as indicated above, by developing and encouraging co-operation among the producers themselves.

The activities of governmental bodies, whether Federal or Provincial, have heretofore been chiefly concerned with assisting the farmer by experimenting in respect to better and cheaper methods of production, rather than with the equally important problem of marketing what he produces. Emphasis now might well be placed on the latter.

Between the farmer and the consumer there is an immense gap bridged by a chain of middlemen, each of whom exacts a proportion of the consumer's dollar. In many instances the amount received by the farmer for his product is only a fraction of that realized by this array of middlemen. The problem of how to raise the farmer's price is complicated, as we saw in chapter ii, by the fact that domestic consumption does not account for his total production. The following figures from the Dominion Bureau of Statistics show the relation of domestic consumption in 1933 to production:

Wheat	35.9%	Fruit—	
Dairy products	95.4%	Apples	31.0%
Butter	98.5%	Peaches	100.0%
Cheese	31.4%	Strawberries	99.3%
Cattle (Beef and Veal)		Vegetables—	
(estimated by pound)	95.0%	Potatoes	96.0%
Hogs	90.8%	Turnips	97.3%
Eggs	99.1%	Sugar beets	96.9%

It will be noted from this table that, with the exception of wheat, cheese, and apples, over ninety per cent of the production of these commodities is consumed in Canada. The surplus enters into foreign markets where it has to compete with the production, sometimes the cheap production, of other countries. The price received for this exportable surplus, however, under present conditions becomes the basis of the domestic price; one result of which, during the last few years, has been extremely low prices for agricultural products in Canada. These prices, indeed, have often reached a level far below the cost of production.

This means that the agricultural population, which constitutes a large proportion of the total population of the country and consumes large quantities of manufactured goods, has had little or no buying power. This, in turn, has restricted the consumption and hence the manufacture of manufactured goods.

If the necessity for increasing the farmer's buying power is admitted and if world conditions prevent this being accomplished by international action, the question arises whether domestic prices are to continue to be controlled by the price of the small exportable surplus. The alternative is to maintain a domestic price, if necessary by governmental action, in keeping with the domestic cost of production and allowing the exportable surplus to get what it can. Suggestions to this end have been made from time to time. The difficulties and dangers connected with them we have already pointed out. They have been frowned upon as being contrary to sound economic policy, and as in practice impossible of success, because control of prices would be useless without control of production, and control of production, to be effective, would have to extend to all primary products.

The fact remains, however, that arrangements and efforts for such control have become increasingly popular and have attained at least some measure of success in the fields to which they have been applied. We cite, in our own country, the tobacco marketing agreement, and the potato marketing agreement, though these are yet too recent to warrant any considered judgment as to their results. We would mention also in somewhat more detail, Canadian milk marketing schemes. At the beginning of this investigation, the Evidence and the Report of the Select Standing Committee of the House of Commons on Agriculture and Colonization respecting the fluid milk industry, which was presented to the House in 1933, was filed as an exhibit for consideration. In that Report it was recommended that provincial Boards should be established with definite powers of control. Already five of the provinces have followed the procedure recommended. Milk Boards have been set up in the provinces of Ontario and Quebec, while Manitoba, British Columbia, and Alberta have placed the distribution of fluid milk under the supervision of their respective utilities commissions. The result of this action has been to maintain in each province a price to the primary producer which, it has been argued, could not have been realized otherwise.

The regulation of milk prices and production is complicated by the fact that milk enters into a number of avenues of processing; cheese, butter, condensed or powdered milk, etc. It is admitted that the most profitable way to dispose of our surplus milk production is in the form of cheese. Canadian cheese has, for many years, enjoyed an enviable reputation in the United Kingdom, and has commanded a premium over the production of other countries in that market. Cheese, like other farm products, meets competition in the British market with similar goods produced in New Zealand, Denmark, and other countries, and although it enjoys a premium, has been unduly depressed in price because of this competition. Normally, 7 per cent or 8 per cent of our total milk production has been manufactured into cheese, but because of prevailing low prices for this produce, more milk is being diverted into the manufacture of butter and other milk products, while our exports of cheese are

diminishing. At the same time there is grave danger of an abnormal surplus of butter appearing on our Canadian market, which in turn will have the effect of further depressing butter prices. Steps, therefore, should be taken to stimulate cheese production and at the same time keep our butter production within the range of domestic consumption. Several schemes have been advanced to accomplish this very desirable end, and we urge that immediate action be taken, as the situation is critical.

Later in this chapter we make specific marketing recommendations in respect to specific commodities. We state here, however, our general conclusion that every effort should be made to explore the possibility of utilizing the Natural Products Marketing Act to ensure a fair price for farm products, especially those of which we have a negligible export surplus.

2. THE TOBACCO GROWER

1. INTRODUCTION

We received evidence on all phases of the production of tobacco as well as many documents filed on the same subject. Witnesses examined included six growers, four representatives of grower co-operatives, five officials of the Imperial Tobacco Company, a former tobacco buyer of this company, and five independent manufacturers, distributors and dealers in the manufactured article.

Possibly the clearest example of exploitation of the primary producer that came before us was that provided by the relationship between the tobacco manufacturers, especially the Imperial Tobacco Company of Canada, Limited, and the tobacco grower during the period preceding 1934. This example also provides an excellent instance of the degree to which a monopolistic buyer can disturb the ordinary workings of economic law in the fixation of prices.

There can be no better proof of the fact that under certain circumstances market forces cannot determine values with absolute precision, than that found in the experience of the tobacco growers of Western Ontario during 1931 and 1932. On the side of the producer there was lack of adequate information as to general market conditions and crop values, inability to adjust output to demand, and lack of effective marketing organization. In turn, the manufacturer used the power that comes from monopolistic control to limit domestic competition, and high protective tariffs restricted the competition of manufactured goods from abroad. The combination of weakness on the part of the grower and power on the part of the buyer made it possible, if not easy, for the Imperial Tobacco Company to force prices to the lowest point in what the economists call the "zone of indeterminateness," to the consequent distress of the producer. We do not suggest here or elsewhere in this chapter, that a monopolistic organization even as powerful as the Imperial Tobacco Company can permanently control the law of supply and demand. Notwithstanding present hindrances to the free play of competitive forces, in the long run this law will prevail. We suggest, however, that while it is working, prices may be interfered with to the detriment of the producer in such a way that chaos and demoralization follow and some form of social control is necessary.

2. TOBACCO PRODUCTION IN CANADA

In Canada the growing of tobacco is limited to well-defined areas in the provinces of Ontario, Quebec, and British Columbia. The 1933 production figures indicate the relative position of these provinces. In that year Ontario produced 35.5 million, Quebec 6 million, and British Columbia 300,000 pounds. Six different types of tobacco are grown in Canada, namely, bright flue-cured, Burley, cigar leaf, dark, large pipe, and small pipe. Of the total of 45 million pounds produced commercially in 1933, over 25 million pounds were of the

bright flue-cured type, 9.5 million of Burley, 4 million of cigar leaf, and the balance in the other types. The growth of flue-cured tobacco in Ontario has been the outstanding feature of the industry since the War, and it is this kind of tobacco production that we are more particularly concerned with in this section.

Approximately three-quarters of the flue-cured crop in Ontario and a portion of the Burley are grown on the share-plan basis; the remainder is produced by farmer owners. Under the share-plan system the owner of the farm provides all the essentials for growing and conditioning the crop, takes care of other charges and expenses, and usually divides the proceeds from the sale equally between himself and the tenant-operator. Of the total flue-cured crop, approximately one-third is produced on farms owned by incorporated companies. In addition, there are several large independent growers operating ten or more farms. The usual crop unit for this type of tobacco is between 25 to 35 acres per share-man.

The method whereby the tobacco crop is marketed in Canada is known as "barn buying." When the market opens, the tobacco buyer visits the farm and offers an average price per pound, which is supposed to be based on the top price fixed for the finest crop of the type concerned.

This barn-buying system is considered by some as unsatisfactory, yet both producers and domestic buyers appear loath to abandon it. The alternative is the "auction-floor" system as used in the Southern United States. Under this method, the farmer grades his crop and sells it through the medium of an auction warehouse. These warehouses are independently owned and there is no direct contact between grower and buyer. This method of selling obviates the necessity of field inspection staffs, permits the grower to obtain cash at any time during the market by delivering his tobacco for sale at the warehouse, and in general allows similar prices to be paid for similar leaf. On the other hand, the grower is put to the extra expense incurred by grading and by the payment of a selling commission and other charges to the warehouse. Finally, the auction-floor system has not been able to prevent such practices as "under-cover buying" and "holding off" the market, which are features of the barn-buying method. Properly supervised and controlled, however, the auction system would appear to be the more logical method of marketing.

3. GROWER ORGANIZATION

In recent years some development of grower organization for the marketing of the crop has been attempted. In 1934 there were four growers' associations in existence in the East, two in Ontario and two in Quebec. In the latter province one association which has operated since 1913 now controls around 80 per cent of the cigar leaf grown in its district, whereas the other handles about 25 per cent of all tobacco grown in its particular area. These two organizations are of the usual co-operative or pool type, and members are compelled to market their tobacco through the medium of the respective associations.

The associations in Ontario were limited, in 1934, to the flue-cured tobacco districts. One of them, with headquarters, at Simcoe, is primarily a service organization, although it has a marketing subsidiary through which members may market their crops on a voluntary basis. The other organization is of a more orthodox co-operative type. Both furnish a crop appraisal service to members in order to assist in the sale of their product. Co-operative marketing operations were not attempted until early in 1933 when a joint marketing committee was set up to control the sale of tobaccos delivered to either organization. Late in 1934 a third association was formed in connection with the organization of the flue-cured growers under the Natural Products Marketing Act. Two service associations subsequently were organized by the Burley growers.

4. FLUE-CURED MARKETING IN ONTARIO

An examination of the evidence with respect to the marketing of bright flue-cured tobacco in Ontario in recent years shows clearly that a basic cause of distress amongst producers has been the too rapid expansion of the industry. High prices, of course, were the main reason for this expansion but the Imperial Tobacco Company was also partly responsible for it by maintaining an insufficient spread between the better and the poorer crops, which resulted in inexperienced and inefficient producers rushing in to grow tobacco on unsuitable land. Expansion was further encouraged by the absence of carry-overs, which created a false impression of the potential size of the market.

During this period of expansion many new growers commenced operations. Production increased from about 4 million pounds in 1926 to about 12 million in 1930. Despite this rapid increase, prices only fell from an average of 33·9 cents in 1927, to 29 cents in 1929. This season of 1930 proved to be the culmination of the policy of high prices as a means of encouraging expansion. In that year, despite a crop one-third greater than that of 1929 and of inferior quality, the average price actually increased to 32 cents.

The effect of this price soon became apparent in a tremendous expansion of the planted area in 1931. Although this expansion was to some extent due to the opening up of an overseas outlet in the United Kingdom during 1930, the high prices paid for the 1930 crop was the chief governing factor. The planted area was increased from 17,200 to 27,345 acres, and as a result of an extremely favourable season, production increased from 12,384,000 to 24,500,000 pounds. The leaf was admittedly the best in general quality yet produced in Ontario, partly as a result of weather conditions and partly in consequence of the change from the stalk-cut to the priming method of harvesting. Following the advice of the Imperial of Canada, about a million pounds were harvested by the latter method. A short time before the opening of the market, prospects of increased orders from the United Kingdom were diminished by the departure of that country from the gold standard.

The market was opened by the Imperial of Canada on October 6, with a top price of 30 cents, coupled with instructions to its buyers to reach an average of about 22 to 23 cents. As is usually the case, the other buying companies followed the lead of Imperial Tobacco Company in the matter of price. The opinion of the New York officials of the parent organization, the British American Tobacco Company, Limited, that prices should be about 25 per cent below those of 1930 was apparently a factor in determining the price to be paid. A new company official was sent from Montreal to take charge of buying operations and as a result of his tactics, prices were driven ruthlessly down and both buyers and producers were demoralized. The final result of buying operations was that the crop was purchased at an average price of about 21 cents, as compared with 32 cents in 1930.

An examination of the crop inspection books of this Company clearly shows that deliberate advantage was taken of conditions to break the market. After the first week, the prices paid bore little relation to relative quality on the basis of the 30-cent top. Crops valued at 25 cents on that basis were bought for 15 to 18 cents. This was in sharp contrast to the buying policy in previous years and was made possible by the fact that the growers were completely at the mercy of the buyers.

The fact that these growers "took their medicine like men," to use the expression of the Company's head buyer, was inadequate consolation for the resulting distress. The predecessor of this official alleged that it was "a panicky market" and "very improperly conducted" and that he was "ashamed of conditions." We feel that these expressions of opinion are comparatively mild in view of all the

circumstances. The possession of great power necessarily implies equally great responsibility. There is no indication that this fact influenced the Imperial Tobacco Company at this time.

We are aware of the fact that some fall in price in 1931 was inevitable in view of conditions. We also received evidence from the Imperial of Canada that over-production was the basic reason for this fall and that the Company had advised against expansion. In this connection, however, it should be pointed out that the growers, lacking statistical information as to leaf stocks held by manufacturers, were not in a position to plan production accordingly. Furthermore, although the Imperial of Canada had warned against over-production, the effectiveness of these warnings was largely negated by the action of the Company in purchasing tobacco from new growers who had ignored the warnings.

The final result of these operations was that the entire crop was purchased at an average 35 per cent below the 1930 price level. Some decline, we repeat, there had to be because of over-production. The buying policy of the Imperial of Canada did not cause it, but that policy did exaggerate it, forcing the price to a point lower than the Company had been prepared to pay at the beginning of the market season.

Despite the sad experience of the previous year and warnings against over-production, the planted acreage in 1932 was again increased. It was the old story of the grower hoping to neutralize the effects of falling prices by greater production. Satisfactory growing conditions resulted in the largest crop on record. General adoption of "priming" in place of stalk-cutting in harvesting, first introduced in 1931, coupled with improved varieties, resulted in a crop of the finest quality. The total crop amounted to 27·5 million pounds, an increase of 12·7 per cent over that of 1931.

As in previous years, the market was opened by the Imperial Tobacco Company and it is quite apparent that advantage was again taken of conditions surrounding the marketing of the crop unduly to depress the price. Apprehension and subsequent panic was caused amongst the growers by, first, unnecessarily delaying the opening of the market and later, by deliberately slowing down buying operations.

Opening of the market was held off until October 26, three weeks later than in 1931, despite a crop maturing two weeks earlier. Evidence of the slowness of purchase is furnished by the fact that, whereas in 1931 the Company acquired 87 per cent of its total purchases in the first two weeks, for the same period in 1932, it acquired only 53 per cent. The reasons given by the Company for these delays are not impressive and we are forced to the conclusion that the deliberate motive was to increase the anxiety of the growers. By so doing, the growers would be in a submissive frame of mind which would facilitate the forcing of prices to the lowest possible level. Officials of the Company have stated that such allegations are "absurd and malicious."

The top price paid was 24 cents as compared with 30 cents in 1931. Even this lower basic price was not maintained, however, and the average was rapidly reduced from 22·5 cents on the opening day to about 12 cents on the eleventh day. Guarantees of financial assistance to the growers from the Ontario Government, coupled with increased orders from England, subsequently stiffened prices. Ultimately the entire crop was again absorbed, despite claims of over-production, but at an average of 16 cents per pound, representing a 20 per cent drop from the 1931 level.

The following year, 1933, again saw an increase of planted acreage but extended drought conditions resulted in a yield of only 25 million pounds and a crop much inferior in quality. The market was opened by the Imperial Tobacco Company with the same top price of 24 cents. Buying was even slower than in 1932, only 60 per cent of the crop being sold after six weeks of operation. The

unsold balance was packed chiefly by the co-operatives with the financial assistance of the Ontario Government and was finally sold in the autumn of 1934 at somewhat enhanced prices occasioned mainly by prospects of a short crop. The average secured for the 1933 crop was about 19.5 cents.

The panic conditions of the two previous years were absent from the 1933 markets. This was due to the strongly organized position of the growers backed by the financial support of the provincial government. In other words, the relatively stronger position of the growers prevented the buyers from exploiting them.

It is apparent from the evidence that in the past there has been a distinct tendency on the part of certain of the buyers, especially the Imperial Tobacco Company, to attempt such exploitation. It may be argued that this is ordinary business practice, but we question its soundness, either in ethics or economics.

5. THE TOBACCO GROWER IN QUEBEC.

In describing the plight of the Canadian tobacco grower during the recent years, the situation in the province of Quebec should not be ignored. Stress so far has been placed on conditions in Ontario, principally because flue-cured production in that province offers a well-defined problem which admits of remedial treatment. Generally speaking, the position of the Quebec tobacco farmer has been even worse than that of the Ontario producer, but for different reasons.

In Ontario, each season's apparent over-production up to 1933 eventually found its market, while in Quebec, there has been a yearly carry-over. With declining domestic consumption and with no export market to fall back on, conditions in Quebec may well be described as the worst in the industry. Wherever better than average prices were received, such as by the Yamaska Valley Co-operative, they have been due either to a special relationship that existed with the Imperial Tobacco Company, or to co-operative control of production and marketing.

One of the features of the Quebec industry that differentiates it from other producing areas is the retail trade in leaf tobacco. Unmanufactured domestic leaf is free of excise duty and a considerable volume of business in this line is carried on, either direct from farmer, or through the medium of pedlars, small dealers and retail merchants. The value of this business is problematical. On the one hand, it is claimed that such tobacco competes with the manufactured product and lessens the demand for the leaf by the manufacturer. On the other hand, it has been submitted that the Quebec consumer prefers the raw leaf to the finished product, and that the limiting of this trade would divert his purchases toward Burley and flue-cured from the pipe types grown in Quebec. From the evidence submitted, it would appear that the latter contention is the more probable.

It appears that the chief reason for the drastic fall of prices in Quebec has been caused by declining consumer demand in products containing Quebec-grown tobacco. Coupled with this, there has been a lack of organization among the majority of the growers, and a corresponding failure to co-operate in the improvement of the quality of leaf produced. It is probable, however, that the low prices of recent years have not offered sufficient inducement for the grower to spend time and money on measures of improvement.

Viewing the situation as a whole, it is of importance to note that, apart from the immediate effect on the tobacco grower of prices that give him little or no profit, the whole business community with which the farmer deals also suffers. Provision merchants, farm implement companies, fertilizer manufacturers and others, find their sales volume reduced and their old accounts difficult, if not impossible, to collect. Fertilizer companies are reported to have had \$200,000 worth of unpaid accounts in the Ontario tobacco-growing area alone, and sales in Quebec had been reduced to almost nothing as a result of low crop returns.

Owners of syndicate farms have been forced to finance their share-growers and, in many cases, have not been able to collect their advances. The general effect has been to produce a lower scale of business activity throughout the whole of the tobacco-growing districts.

6. THE FLUE-CURED MARKETING AGREEMENT, 1934.

Since we received evidence on the tobacco industry in May, 1934, the plight of the grower of flue-cured tobacco in Ontario has greatly improved. This is due to the general improvement of conditions in Canada and indirectly to the increase in tobacco prices in the United States. It is due also to the adoption of a price agreement between grower and manufacturer following upon the inauguration of a tobacco marketing scheme under the provisions of the Natural Products Marketing Act.

The representative of the Ontario Flue-Cured Growers' Association who appeared before us explained the arrangements that had been made to bring about a fair and orderly marketing of the 1934 crop. In respect to these arrangements it should be noted that tobacco is peculiarly suited for co-operative marketing and price agreements between grower and manufacturer. The land that can be utilized for production is limited, substitute commodities are virtually non-existent, and foreign competition is not important. At the same time, it is probably pertinent to state that the ultimate success of any such marketing agreement, even under such favourable conditions, depends on the two sides to the agreement, grower and manufacturer, recognizing that any attempt to exploit the consumer and to fix prices at a higher level than those which would result from a moderately free competitive market will result in ultimate collapse of the whole scheme.

The present flue-cured tobacco marketing scheme grew out of negotiations begun shortly after evidence on the tobacco industry was received by us in May, 1934. These were crystallized into an agreement between the Ontario growers, the five principal manufacturing buyers, and the two principal merchant packers of tobacco, wherein machinery was devised and set up for the operation of the flue-cured tobacco market for 1934 and the following two years.

In June, another agreement was made covering 1934 alone. First the price was agreed upon, then methods were adopted for the proper distribution of this price to the individual grower. In order to determine price, the growers and manufacturers were to operate jointly an appraisal system. After making quality a prime consideration, prices were based on this appraised value. W. C. Macdonald, Inc., declined to sign this agreement and the growers moved to bring the industry under the provisions of the Natural Products Marketing Act. Since this Act permits any group of agricultural producers, properly organized, a certain measure of regulation and control over the marketing of their product, it was, therefore, logical that the growers and manufacturers should seek to incorporate their arrangements under the terms of the Act.

Developing from the above agreement, therefore, is the Ontario Flue-Cured Tobacco Scheme approved on the 26th of October, 1934, and applying to flue-cured tobacco grown in the province of Ontario. The purpose of the scheme is to ensure more adequate returns to the producers and to place the manufacturers and packers on a fairer basis of competition.

The scheme in its final form was the result of extended negotiations and thorough study; it was endorsed by 71 per cent of the growers, representing approximately 80 per cent of the land devoted to tobacco production. Before the scheme was approved, responsible manufacturers and packers of flue-cured tobacco met in conference with the Board and representatives of producers, and as a result certain amendments were made to the original scheme prepared by the growers.

The scheme is administered by a Local Board on which, although the growers have a majority control, the packers and manufacturers also have a representation. The Local Board has power to register producers, to license buyers, to fix

appraised values on all crops in relation to a negotiated average appraisal for the entire flue-cured tobacco production, and generally to regulate the primary marketing of such tobacco. Provision is made for the compensation of producers whose marketable leaf may be withheld from sale because of the exigencies of the situation. The scheme is self-supporting and requires no contributions from the public treasury. Under a Board of fourteen members, with headquarters at Simcoe, the greater part of the 1934 crop of over 21,000,000 pounds was marketed at an average price of approximately 25 cents a pound, an increase of 40 per cent over that of the previous year. General satisfaction over this new state of affairs has been expressed by both producers and buyers.

3. THE FRUIT AND VEGETABLE GROWER

1. LOW PRICES RECEIVED BY THE GROWERS

In the chapter dealing with the canning industry in its manufacturing and distributive aspects it was stated that this industry is characterized by imperfect competition and dominated by one large company which has certain definite competitive advantages over all other companies in the industry. It was also stated that in the face of the dominating buyer the growers had little bargaining power and that during the last few years they had suffered severely from low prices. In this section of the present chapter we relate in more detail how such factors as those indicated above reacted against the interests of the grower.

Two of the features of this industry (apart, of course, from general economic conditions) which have the most direct bearing upon the grower, are the proportion that the cost of his product bears to other costs and the contractual relationship between himself and the canning company for the supply and sale of his produce.

We received considerable information on the first point, namely, the amount paid the growers and its relation to other costs and to total sales and earnings of the canner. The grower's share of prices received from Canadian Cannery, Limited, for eight important products during 1933 (tomatoes, peas, corn, pears, cherries, beans, plums, peaches) as determined from the company's records, revealed that the growers received on the average, 18 per cent of the sales value. For the 62 months ended February 28, 1934, 21 per cent of the sales paid for the total produce purchased by the company. Earnings, with non-recurring profits eliminated and before bond interest and depreciation for this period, came to 43 per cent of the total cost of the produce. Over the last five years the cost of the produce ranged from 25.2 per cent to 34.6 per cent of the total cost, and in the last year was less than the cost of the containers. The situation in respect to tomatoes, the most important of canned goods, is illustrated in the following table:

COST OF PACKING AND SELLING ONE DOZEN CANS OF TOMATOES, No. 2½ SIZE CAN
AND AVERAGE SELLING PRICE

	1929	1930	1931	1932	1933
	\$	\$	\$	\$	\$
Cost of Produce.....	.256	.288	.205	.151	.141
Prime Cost.....	.781	.804	.670	.594	.594
Indirect Labour.....	.048	.045	.048	.079	.038
Overhead.....	.077	.109	.092	.105	.086
Selling.....	.033	.030	.026	.023	.027
Fixed Charges.....	.414	.297	.348	.416	.444
Average Cost.....	1.353	1.285	1.184	1.217	1.189
Average Selling Price.....	1.312	1.175	.81	.84	.84
Average Price Paid Growers per bushel.....	.24	.44	.35	.26	.25
Percentage of Selling Price to Grower.....	19.4	24.5	25.3	17.9	16.8

It will be noted from the above table that the year 1933 was that in which the lowest price was paid the producer for tomatoes, namely 25 cents per bushel. This was the same year that the company gave a bonus to holders of Second Preferred Stock, the major portion of which was owned or controlled by the officers and directors of the company.

It will also be noted from the above table that in each of the above years, the average selling price of canned tomatoes was below cost. In the last three years the disparity was most striking. The sale of tomatoes constantly below cost has not only had a demoralizing effect throughout the trade in general but has helped to depress prices to the producer.

The relation between selling price and cost of the produce is strikingly indicated by the fact that if in 1933 the consumer had paid one cent more for a can of tomatoes, this increase, divided into three parts, could have been passed on as follows: 24 per cent in gross profit to the company, 20 per cent increase in wages to the employees, and 40 per cent greater return to the grower for his product.

The trend of contract prices paid for produce shows a consistent decline in amounts received by growers over the years 1929 to 1933. The following table is taken from our investigation of Canadian Cannery, Limited:—

AVERAGE CONTRACT PRICE PAID GROWERS

Farm Produce	Unit	Year of Pack		
		1929	1931	1933
		\$	\$	\$
Tomatoes.....	bushel	.42	.25	.25
Peas.....	ton	49.52	39.72	28.56
Beans (green and wax).....	ton	75.00	50.00	40.54
Asparagus.....	pound	.14	.11	.08
Peaches.....	pound	.04	.02	.02
Pears (bartlett).....	pound	.03	.02	.02
Strawberries.....	qt. box	.10	.10	.03
Raspberries.....	qt. box	.12	.15	.06
Cherries (red).....	pound	.05	.03	.02

In addition to being governed by the volume of produce and probable demand for the finished product, contract prices are influenced by the price the canner received for his previous pack, by an estimate of the price the canner hopes he will be able to receive for the processed goods, and by the size of the carry-over from previous seasons.

2. THE CANNER-GROWER CONTRACT

The relationship between the grower and the canning company which establishes the prices which the grower receives is generally covered by a written contract. This contract among other things deals with the acreage to be planted, the supply of suitable seed, the report of crop conditions, the maximum quantities of produce per acre that is to be accepted, the quality of produce, penalties for lack of quality, the dates for beginning and ending delivery, limitation of deliveries, price to be paid for the produce, and the terms of payment.

There is conflicting evidence as to the fairness to growers of some of the provisions of the various contract forms. In approaching this subject it should be mentioned that the grower has very little to say in the preparation of the contract. It is not one prepared at the request of an organized group of growers by its legal adviser, but one that has been drawn up primarily for the protection and in the interests of the canning company. There is no evidence indicating that contracts have been submitted for approval to the growers as a group through a representative or otherwise.

The head of one of the largest canning companies stated that while the terms of a contract appear to be very rigid, they are in fact in favour of the grower, in that it is more practicable for the grower to sue under the contract than it would be for the company to sue the grower. A further statement in support of the fairness of the contract was to the effect that it is the grower who seeks it, thereby inferring that if the terms were unfair, this would not be so. It is evident that under the terms of the contract the canner accepts certain responsibility and that these contracts insure to the grower a market close at hand, at a definite price for so much produce, and regardless of changes that may occur between planting and harvesting. Furthermore, in respect to the limitation of quantity contracted for and which often leaves the grower with large amounts of produce still in his fields, it is claimed that the purchaser cannot accept all that might be grown in years of abundant crops, without fear of financial embarrassment. Finally it was stated by the companies investigated that they have never actually been sued under the terms of the contracts. In this connection, however, we received evidence from the tomato growers in the Niagara District to the effect that there was sufficient breach of contract in the matter of dockage to have carried the case to the courts if they had been in a position to do so.

It is contended on behalf of the growers that the contract is all in favour of the company; that under it the grower was bound to deliver, but that the canner may escape its terms, and either not accept amounts stipulated or vary them according to his interests. No provision is made for arbitration and the canner is the sole judge as to quality, delivery time, and conditions permitting limitation of deliveries. There was the further contention that, whatever the form of contract may be, the grower's financial position is such that he is often obliged to accept it, even at prices below production costs.

In the last ten years, clauses have been inserted in these contracts prohibiting growers from supplying other than the contracting canning companies. These have caused considerable dissatisfaction since they prevent the grower from contracting an additional acreage with a second company either in the same or in a distant location, though this might in no way interfere with his delivering a full measure of produce under the first contract.

Under the prevailing terms of exclusive contracts, the grower is often left with large quantities of produce on hand at the end of the canning season. He feels that in this regard the contract is most unfair.

3. DOCKAGE.

We also received numerous complaints from growers about excessive "dockage." Practically all products delivered to the canning factory are paid for by weight and on any deliveries not up to standard, adjustment is made by an arbitrary deduction from the delivered weight. This adjustment is known as dockage. The justification of the growers' complaints cannot be determined even with approximate accuracy, because of the incompleteness of records. The companies whose records were examined did not maintain a compilation which showed the degree to which dockage had been applied to any particular pack. There were kept, however, for the purpose of paying growers, memorandum records indicating the dockage, if any, on each delivery.

Associated Quality Canners, Limited, stated that despite complaints of local growers, its dockage on tomatoes for one year at its Trenton plant, as checked by pay slips, amounted to only one-half per cent of the total delivered weight. A check on 680 deliveries of tomatoes from 31st of August to 30th of September, 1932, to Factory 254 of the Canadian Canners, Limited, showed that 291 deliveries had been docked a percentage ranging from 0.36 to 6.06 and averaging 2.58 of total delivered weight.

The contract determines the date at which deliveries of product to the factory are to begin. If this is at variance with the proper time at which the crop is ripe and should be harvested, the quality of deliveries will suffer and dockage will be made accordingly, though the grower is not to blame. Complaints were also received as to other methods whereby it was claimed that the canning companies made unfair dockages from deliveries which, in their opinion, did not measure up to contract standards.

Canners have denied such practices and have submitted evidence to show that the grower has been generously treated. While we are unable from lack of complete evidence, to come to any conclusion as to whether dockages generally have been excessive or unfair, it would appear that complaints of excess dockage have been most common when trade conditions were unsatisfactory. We would emphasize that the amount of dockage should be strictly in accordance with considerations of quality and should have nothing whatever to do with general trade conditions.

We are informed that in 1934, either through the request of the canners or growers, or both, twelve inspectors of the Federal Department of Agriculture were stationed at seven canning factories to check each individual delivery of tomatoes for quality, grading and weight. Both the growers and the canners were apparently well satisfied with this inspection service, which was voluntary and experimental. It was restricted to tomatoes because of the importance of that product and the prevalence of dispute between canners and growers in respect to its grading and dockage. The canners bore the cost of the service which was roughly \$4.50 per day for each inspector's services.

We recommend the extension of this service eventually to cover all factories and all fruit and vegetable products received at the factories. The question of whether the canner or the government should bear the cost of the extended services might be left to the decision of the competent authorities of the government.

4. HOME CANNING.

One result of the dissatisfaction among the producers as to conditions in the canning industry, has been the increase in recent years of home-canning as an activity which might offer more profitable returns to the grower. Home-canning is not new, having existed many years ago among the farmers of Quebec, who were accustomed to convey their own canned goods to the local market. Later, producers began to co-operate in the growing and to pay others to process, occasionally to supply cans and cases, and to look after sales. A third development was one in which an individual or an organization would sell the farmer's home-canned produce on a commission basis. Finally, a fourth method was introduced wherein an organization contracted with individual farmers to have them grow and can their produce and would itself purchase the processed article at a price specified in advance.

The Commission investigated the activities of an organization of this last type, namely, King and Rankin, Limited, which operates in Ontario. This company supplies the farmer with the necessary canning equipment, cans, and other supplies, and provides technical assistance and delivery services. Operations are comparatively small and output is mainly of canned tomatoes which require only a limited capital outlay for equipment.

It was claimed that certain benefits accrue to the farmer-canner from home-canning in that spoilage in hauling and dockage are eliminated and surpluses are not left in the fields. With regard to the latter, however, if home-canning once limits the number of cans to be accepted, the problem of surplus crops will be present here as well. The grower, generally, is satisfied because unfair dockage cannot occur and a home-canning contract permits him to use his own judgment as to dates of operations and in no way restricts him from supplying other companies with his produce. In addition, he is exempt from sales tax, and

from inspection of his product if sold by him to the trade within the province of production.

This method of canning tends to lessen overhead, administration, and investment expenses; yet there was no evidence to show that the farmer benefits from such savings. In fact, under this form of operation, he receives no more per bushel for his produce than from the regular type of canning company and the absurdly low average of ten cents an hour for his labour. Finally, it may be said that the growth of home-canning is primarily due to the farmer's antagonism to canners' contracts and to the opportunity now afforded him to market his full crop.

There is evidence indicating that regular canning companies view the presence of home-canning with some anxiety, particularly because it will increase the present glut of canned tomatoes and may drive prices further downward.

5. RECOMMENDATIONS FOR REMEDIAL ACTION

Home-canning, we feel, may afford the farmer release from certain practices not in his favour, but it is not necessarily a solution for his basic problem, that of uneconomically low prices. It may be held that such a solution is to be found in other directions, first, by a general improvement in conditions, and along with this by co-operative organization on the part of the grower in order to increase his bargaining strength against the large canners. Proposals to this end were presented to the Commission by the representative of the Ontario Growers' Market Council, who outlined to us a scheme submitted for the approval of the Dominion Marketing Board under the Natural Products Marketing Act. This scheme contemplates:—

- a. Improvement of the standards of jams, preserves, processed fruits or vegetables, promotion of ordinary marketing of the primary products used in the manufacture of jams, preserves, processed fruits or vegetables, and promotion of fair trade practices in the marketing of jams, preserves, processed fruits or vegetables.
- b. The establishment of a minimum price for each primary product through a price negotiation board.
- c. The establishment of standards of jams, preserves, processed fruits or vegetables through a committee of standards.
- d. The establishment of a committee of fair practices.
- e. The licensing of all processors who shall retain their licences while they observe the rulings of the local board; purchasing under the terms set by the price negotiation committee, manufacturing according to the standards set by the committee of standards, and selling the processed article under the code of fair practices established by the committee of fair practices.

The Ontario Growers' Market Council is also in favour of:

- a. Establishment of a quota basis by growers and canners to get rid of present carry-overs.
- b. Official disclosure to growers and others of canned stocks on hand.
- c. Control over production of tomatoes exercised through purchases on a grading basis supervised by federal inspectors.
- d. A new form of contract and assistance in its development.
- e. Inspection and regulation of canning factories.
- f. Increased tariffs on fresh fruits and vegetables and a revision of seasonal regional tariffs.
- g. Legislation against use of fresh fruits and vegetables and canned goods as loss leaders.

Canadian Cannery Limited also furnished us with certain observations on conditions in the industry and recommendations to remove some of the difficulties disclosed. They sum these up as follows:—

- a. . . . As far as our company is concerned, we are in favour of a committee with equal representation of growers and cannerys, to discuss prices and contracts and also any other matters that may be the cause of differences between growers and cannerys.
- b. As set out in our brief, we are willing to adopt the growers contract submitted, subject to a few alterations to be decided in committee.
- c. Inasmuch as the home cannerys who grow their own vegetables are paying no sales tax on canned vegetables, this is penalizing the grower who is supplying the commercial cannerys, and inasmuch as there are indications that the packs this year will be in excess of the country's ability to consume, every possible encouragement should be given to the merchandising of these goods so that they can reach the consumer at reasonably low prices and in this way increase consumption.

Our suggestion is that the commercial cannerys and the home-cannerys be placed on exactly the same basis as far as sales tax is concerned and that the sales tax be cancelled.

If the government is of the opinion that the grower is entitled to consideration before the consumer, then we suggest that the equivalent of this sales tax, which it is proposed to cancel, be returned to the grower as an increase in his price for his produce. It would not be very difficult to work out a plan which would carry out this suggestion.

A study of the above proposals made both by the Ontario Growers' Association and the largest canning company would indicate a desire on the part of the various phases of the industry to co-operate with a view to solving their mutual problems. Indeed, concrete steps to this end have already been taken. We urge that the government make every effort to facilitate these steps and to utilize the machinery of the Natural Products Marketing Act for the purpose of concluding an arrangement that will ensure for the grower a more reasonable price for his products than he now receives.

4. THE LIVE STOCK PRODUCER

1. CONDITION OF THE LIVE STOCK INDUSTRY.

We received much evidence on the conditions obtaining in respect to the production and marketing of live stock in this country. Thirty-three witnesses appeared before us on this subject, who represented the following branches of the industry: Co-operative Live Stock Associations, Ranchers, Drovers, Wholesale Butchers, Meat Packers and Live Stock Exchanges.

We received evidence also from the Ministers of Agriculture of Manitoba, Saskatchewan and Alberta, as well as from members of the Committee on Agriculture and Colonization in the Ontario Legislative Assembly. The Animal Products Trade Commissioner of the Department of Trade and Commerce, stationed in London, England, also appeared before us, as well as officers of the Department of Agriculture.

Finally, the Commissioner of Marketing for the Province of Ontario was instructed by us to report on the evidence already submitted and to conduct any further inquiries which he considered necessary. His report was received by the Commission and examined in detail.

In the introductory section to this chapter we stated that the primary producer has borne a disproportionate share of the burden of falling price levels during the depression and that in many cases he had been the victim of exploitation. The live stock industry provides a notable example of this situation.

During the recent depression, the live stock industry has suffered particularly through lack of profitable markets. The farmer producing grain has some alternatives in its disposal—he may sell it, feed it or hold it—but when a steer or hog is “finished,” it must be sold, as it rapidly deteriorates. Thus the farmer producing live stock is more completely at the mercy of the buyers than farmers producing other farm commodities and it is essential that extra precautions be taken to preserve his interests. There is no gainsaying the fact that criticism of the existing marketing system has been particularly rife during the past few years. The general dissatisfaction was expressed by many witnesses who appeared before us.

During the years 1932, 1933, and most of 1934, cattle numbers were increasing, due largely to the earlier loss of the United States market which forced farmers to hold back animals which ordinarily would have been disposed of across the line. This increase in the number of cattle undoubtedly led to heavier marketings and forced prices lower. It was not until late in 1934 that the effect of lower prices became evident and that the rate of increase diminished.

Thus the price of good and choice steers over 1,050 pounds at Toronto fell almost steadily for four years and, in 1933, averaged \$4.63 per cwt.—less than one-half the comparable price for 1929. The low point was reached in February, 1933 when this grade sold at \$3.60 per cwt. in Toronto. Prices to western farmers and for lower grade animals actually reached a level where, in some instances, they were insufficient to pay freight and stockyard charges. The price of good and choice steers over 1,050 pounds at Calgary fell to \$2.25 per cwt. in September, October and November, 1933.

A similar situation occurred in hogs, although the quota established for Canadian bacon in the United Kingdom market began to correct the prices after the low in January, 1933. This correction did not take place until bacon hogs at Toronto established a low level of \$3.50 per cwt. in January, 1933. Although 18 months of relatively favourable hog prices have now passed, farmers still have little confidence in a system in which violent and sudden price fluctuations occur, unexpectedly and without adequate explanation.

Again, it is very evident that the full lowering of prices was not carried through to the consumer so that consumption could be improved. If consumption was at a maximum under the low retail prices which existed, then consumers' purchasing power was not reflected in prices paid to the producer. The packer, the wholesaler and the retailer protected their margins on a falling market and since their costs and charges form a high proportion of wholesale and retail prices, this operated to prevent the commensurate decline of meat prices. A study of price indices clearly reveals this situation and also proves that these middlemen's margins are promptly, if slightly, increased as soon as rising prices permit.

The problems of the live stock industry are largely confined to cattle and hogs. Sheep and lambs are produced in relatively small volume, their meat products form only a small fraction (about 5 per cent) of our meat consumption, and are barely sufficient to meet our domestic requirements. Pork and beef, on the other hand, form 95 per cent of our meat consumption and Canadian production is in excess of domestic requirements so that the prices of these products are subject to the vagaries of foreign demand.

During the calendar year 1934, it is estimated that the percentages of our total live stock production exported alive or as meat, amounted to—

Hogs (pork).....	14.8 per cent
Cattle and calves (beef and veal).....	4.9 per cent
Sheep and lambs (mutton and lamb).....	0.7 per cent

These percentages, as a matter of fact, are higher than they have been in recent years because of the improvements in foreign live stock markets which featured the year 1934 and which promises to continue during 1935. Our domestic consumption of meat (absolutely and per capita) declined during the depression

years, decreases in pork and mutton and lamb more than offsetting the increase in beef. Imports of all classes of meats, but particularly mutton and lamb, have been reduced. Despite the limitation of the Canadian market to the domestic product, surpluses have been accumulated and have not found a profitable market.

The value of live stock on Canadian farms in 1934 was estimated at \$413,837,000, made up as follows:—

Horses.....	\$168,132,000
Milch cows.....	110,721,000
Other cattle.....	84,657,000
Swine.....	36,029,000
Sheep.....	14,298,000

The value of live stock sold off farms in 1934 (excluding horses) amounted to approximately \$99 million, consisting of \$36·7 million for cattle and calves, \$55·2 million for swine, and \$7·1 million for sheep and lambs. This combined figure was as low as \$65 million in 1932 and the increase to \$89 millions in 1933 was due to heavier marketings and the increased price of hogs.

The numbers of live stock entering commercial markets in 1934 amounted to 5,711,488 head, consisting of 1,058,389 cattle, 698,432 calves, 928,989 sheep and lambs, and 3,025,678 swine. In addition, a large volume of live stock is slaughtered on farms. The decennial census enumerated such data for the year 1930, disclosing that 447,773 head of cattle and calves, 195,095 sheep and lambs and 1,023,502 swine were disposed of by farm slaughter. These figures represent the following percentages of commercial marketings in 1930:—

Cattle and calves.....	33·5 per cent
Sheep and lambs.....	23·1 per cent
Swine.....	44·4 per cent

The importance of live stock in Canadian agriculture is further demonstrated by the number of farmers reporting the various classes. According to the census of 1931, there were 728,623 farms in Canada. Of this number, 582,089 reported horses, 552,204 reported cows in milk, 528,283 had "other" cattle, 437,837 farms reported swine and 130,084 sheep. Bringing these figures to clearer terms, about 74 per cent of our farmers have cattle on their farms, 60 per cent have hogs and 18 per cent sheep.

We feel that governmental endeavours in the interests of the Canadian farmer during the next few years should be directed to the rehabilitation of the live stock industry in all its stages—the growth of suitable forage and grain crops, the breeding of desired types, the regulation of supply, the provision of adequate marketing facilities and the final disposal at a fair price. Such a concentration of effort would fit logically into the adaptation of Canadian agriculture to changed world conditions. The bacon quota in the United Kingdom market is a very important factor in developing this new direction of Canadian agriculture. Emphasis should also be laid upon securing an increased export of Canadian live cattle or beef to the United Kingdom.

Live stock is an important intermediary for the disposal of our grain and forage crops. About 80 per cent of our oat crop and 70 per cent of our barley crop are normally fed to live stock. Recently, however, these percentages have been higher. In the 1933-34 season the last for which marketing records are complete—85 per cent of our oat crop and 80 per cent of our barley crop were fed in this country, 261 and 51 million bushels, respectively. Seventeen million bushels (or 6 per cent) of our wheat crop were fed in the same year. All but a small fraction of 1 per cent of the hay and clover crop was fed to Canadian live stock. Large quantities of straw, roots and roughage were utilized in the same way. This is a country of great distances and, despite recent advances in transportation, it is still an economic proposition to reduce our farm production to commodities having the highest possible value per unit of weight or bulk. The live stock industry (including dairying) is the most important factor in this process.

In the re-direction of Canadian agriculture to changed world conditions, one of the important considerations must be the careful planning of crop production to the needs of our live-stock population. This definitely involves greater emphasis on the production and economical distribution of coarse grains and concentrates. Such a policy should lead to the production of more hogs of the best quality and bring Canada nearer to filling the annual quota of 280 million pounds of bacon in the United Kingdom market. Any increase of poor quality would be harmful.

We emphasize this because there is an apparent indifference of large numbers of farmers to improvement of quality through breeding and feeding. This is regrettable, but is a real factor in the troubles that beset the live stock industry. It may be due to the lack or insufficiency of premiums for quality, or to unstable prices or to other causes, but it has a decided effect in lowering the farmer's returns for his live stock. If the confidence of the producer in methods of marketing and price determination be established by correction of proven abuses, then some of these producers must realize their duties in the improvement of quality. Evidence shows that they are becoming increasingly aware of this fact.

The percentage of select and bacon hogs has steadily increased for the past fifteen years and continued through the years of depression. This indicates that there are many farmers who have realized the importance of quality and have steadily improved their herds, notwithstanding the ruinous prices prevailing. In the year 1929, selects and bacons were 27 per cent of the hogs graded and in 1933, 57 per cent.

2. STOCKYARDS AND PUBLIC MARKETS.

For the protection of the farming community, Departments of Agriculture encouraged the establishment of the open market place, known as the public stock yards, and have adopted regulations for its management and control. This is the place to which it was expected all buyers would come, and to which, naturally, all sellers should come. For many years the public stock yards functioned in just this manner. Stock was accumulated by drovers, shippers or producers at country points, sent by rail to public stock yards, where numerous buyers in open competition bought their live stock, and thus the market price was fixed. In those days there were numerous packers, butchers, exporters, feeders and others competing for the stock which arrived. The law of supply and demand had a fair field of operation and the producer was always ensured of getting a market price definitely fixed by active competition.

a. Lack of Competition in Purchasing:

In recent years this situation has completely changed. This change has been brought about mainly by two factors. First, the elimination of the small packing company and the wholesale butcher, either by merger and absorption or by cut-throat competition. To-day, as we saw in Chapter IV, the meat packing industry has been concentrated in very few hands. Canada Packers, Ltd., is the dominating unit with a business greater than the next five packing companies combined. This development has reduced competition to the detriment of the producer. Canada Packers' buyers are to be found on the chief stock yards in Canada, and all are instructed as to price, methods and practices from a single office in Toronto. Swift Canadian Company, with plants at six centres in Canada, has its buyers on the same stock yards, directed from head office at Toronto. Burns, Limited, with plants at Calgary, Vancouver and Edmonton, has its buyers on all western yards, all directed from Calgary. Live stock purchasing is thus concentrated, with a result, as our evidence shows, of lack of price competition among packer-buyers.

There was uncontradicted evidence given to us by a former official of Canada Packers, Limited, that in Toronto it was the usual practice for this firm to arrange with Swifts, before the market opened, as to the prices to be paid for purchases of live stock. Also, the manager of the Western Stock Growers' Association, one of the largest ranchers in Alberta, gave evidence that if a packers' buyer gave an offer for cattle on the ranch, it would not be raised by any other packer-buyer either on the ranch or in the stock yards.

Another method adopted by the packers which has reduced competition on the open market is the practice of selling to the wholesale butcher carcasses on the rail at cost price plus killing charges and thus removing the wholesale butcher from competition on the public stock yards.

b. Direct Shipments.

The third factor which has affected competition is the fact that the packing companies have very vigorously developed a system of direct shipment of live stock to the packing plant instead of to the stock yards. This direct shipment business has also been largely increased by the use of trucks, instead of rail, to carry live stock to market. With the development of good roads there has been a very great increase in such shipments by truck. The trucker is not usually a stockman, nor an experienced salesman. He is chiefly interested in securing a remuneration for his service in trucking. The more trips he can make to market, the greater will be his returns.

It is not unnatural, therefore, that many truckers have adopted the practice of delivering the stock direct to the packing plant. If delivered to the stock yards, the trucker would require to remain on the yards until the live stock was sold in order to take back the returns to the farmer.

As a result of these factors—the vigorous effort of the packers to push direct shipments, the virtual elimination of the wholesale butcher, and the truckers' advantage in direct shipments—the quantity of live stock delivered direct to the packing plants has steadily increased and has assumed very large proportions.

It should be noted that:

(1) All live stock when delivered direct to the packer are paid for on the packers' own weights, as shown by his own scales. In the public stock yards all scales are operated by the Government. The weight is automatically punched upon the ticket and the scale registers every five pounds, while some packers' scales register only every ten pounds.

(2) When live stock other than hogs is delivered direct to the packers it is graded by the packers themselves, and the price is fixed by the packer according to the grade in which he may place the live stock.

From the foregoing, it will be observed that the producer shipping direct is largely in the hands of the packer as to weights, grades and prices to be paid for his live stock. Such a producer, in effect, delivers his live stock to the packer and trusts that he will be treated fairly as to weight, grade and price. He is unprotected by an agent or by any regulations except in the grading of hogs. In these circumstances it is not difficult to see who is in the strong and who in the weak position.

The prices paid for live stock shipped direct is said by the packers to be the market price. That market price is the price set where there is a competitive market, namely, on the public stock yards. The evidence submitted to us showed quite conclusively that the packer with his large supplies shipped direct frequently abstained from buying upon the public stock yards. He was not a keen buyer because such a substantial portion of his demands were already met by direct shipment. These direct shipments, therefore, have the effect of breaking down the price upon the public stock yards, and when this price has been so broken down to a level satisfactory to the packer, then

he secures his necessary supply. Not unnaturally, it follows that on a slow or draggy market, prices are easily depressed.

The two largest packing companies have their head offices at Toronto, and their chief packing unit located there. The Toronto market, therefore, is the leading cattle market in Canada. The Union Stock Yards located there have two principal market days, Monday and Thursday, in each week. The market opens at nine o'clock, with, possibly, thousands of head of cattle. If buying is brisk and competition is keen, the producer is assured of better price conditions. If the packers' buyers remain off the market by reason of their supplies secured direct, then the market becomes heavy and depressed. One hour after the opening of the Toronto market, the Dominion Live Stock Commissioner forwards from his Toronto office to the markets of the West, which open one hour later than in the East, telegraphic information as to the conditions prevailing upon the Toronto market. If the buying is brisk at Toronto, it helps to sustain the western markets; if buying is dull, it helps to depress the western markets. If the buyers for the large packing plants remain off the market at Toronto, the telegraphic report of its draggy condition may enable the buyers of those same packing plants on western markets to secure their supplies at less than a fair price. If any western markets break, for any reason whatsoever, that information is immediately telegraphed to the Toronto market, and usually this has the effect of forcing the Toronto market into line with the western markets at lower levels. It will, therefore, be seen that direct shipments are of a distinct advantage to the packers, not only in leaving weights, grades and prices substantially within their own control, but also as a lever to use upon the open market at the stock yards to settle the price at which they will pay for the stock required. Then this price is used to pay for the direct shipments which have helped to establish it.

The effect of direct shipments was emphasized in the Evidence as follows:—

By *Mr. John M. McCallum, Chief of the Marketing Service of the Live Stock Branch of the Dominion Department of Agriculture:*

Producers lose the benefit of competition.

By *Hon. D. G. Mackenzie, Minister of Agriculture for the Province of Manitoba:*

Q. What would be the effect upon the public stock yards if direct shipments continue to increase for the next five years in the same proportion as they have during the last five years?

A. I think that there you are getting at the very crux of the situation; recognizing the trend of the last five years. The fact that the trend is so definitely to the packing plants means that if it continues for another five years in the same proportion as at present, I think at the end of another five years our public stock yards would be put out of business.

Q. What effect would that have upon the industry?

A. Absolutely disastrous to the producer.

Q. Why?

A. Because it would eliminate the only competitive market he has.

Q. But the loss of the public stock yard you think would be a calamity to the industry?

A. Absolutely—I have no hesitation in saying that.

Q. Perhaps through your knowledge and experience you could give the committee an answer to the riddle as to why the farmer continues to ship to the buyer who weighs, grades and fixes the prices; what is the dominating factor there?

A. Well, I would say that the dominating factor, if we can so describe it, is the truck driver.

Q. Why?

A. The truck driver goes into the farmers' yards. His business primarily is getting freight for transportation purposes. He goes into the farmer's yard and gives service to the farmer in that he loads up perhaps in the evening and removes from the farmer the necessity of delivering his stock to the shipping point; and the farmer ordinarily is not concerned as to where he delivers it, and he leaves it largely to the trucker himself to determine where he goes. I do not want to leave the impression there that all truckers go to the packing plant.

The Minister of Agriculture for the Province of Alberta, who appeared before us, recommended very strongly legislation requiring all live stock to be sold through stockyards. Also, the Chairman of the Agricultural Committee of the Legislature of the province of Ontario, submitted upwards of thirty resolutions from farmers' clubs throughout Ontario deprecating the growth of direct shipments and urging that all live stock be shipped and sold on a competitive public market.

We recommend, therefore, that all shipments of live stock should be made to the public market where reasonably possible, to give all buyers an opportunity of competing for them, and to prevent direct shipments being used as a club in the hands of the packers to break down prices on the public stockyards.

We would further recommend that direct shipments to packers' yards be subject to the same rules of weighing, grading, publication of prices, deliveries, sales competition and supervision as shipments are in the public stock yards.

c. Stock Yard Fees and Auction Selling.

The stock yard is the public market place for the sale of live stock. It exists for the purpose of receiving, keeping, feeding and delivering live stock. Its fees are received for the service thus rendered. It is alleged that these fees are too high. On the other hand, it is stated that the withdrawal of large quantities of live stock, through direct shipment to packers, leaves the stockyard with relatively the same overhead in land, plant, buildings and equipment. We believe that stockyard charges can be very materially decreased if an increased number of live stock passed through these yards.

Auction selling might also be an improved method. Evidence was submitted that at Edmonton live stock producers and commission men were anxious to try the auction method of selling, but that it was blocked by packer representatives. We recommend, therefore, that in cases where producers desire to sell stock by auction on the public stockyards, they be enabled to do so, and that regulations be passed to this effect.

d. Commission Agents.

On every stockyard there are certain live stock commission agents. Their sole function is to act as salesmen for the producer in disposing of his stock when consigned to him. They are under heavy bonds required by the Dominion Government and maintain shippers' trust accounts for all moneys belonging to their shippers. They are experienced salesmen, with a knowledge of the grades and quality of live stock. Their fees as commission agents are based upon a fixed sum per car or per head. We believe that the basis of charge should consist of a lower specific charge per car plus a commission reckoned on the value of the live stock sold. A combination of both car and percentage basis would be a further incentive to the commission agent to secure the highest possible price.

While the number of commission firms operating on any market form a competitive selling force, there seems to be no doubt that there is a heavy duplication of effort upon the part of these numerous firms, thereby adding to the expense of marketing, to the injury alike of the producer and the commission agent. For

example, the evidence disclosed that at Toronto it costs the firms operating there \$20,000 per year in the aggregate to maintain representatives at the gate soliciting the business of various truckers who come to the market. It costs another \$20,000 for disseminating information as to markets over the long distance telephone, a service which is largely duplicated to the same people by various firms.

The licensing of commission agents directly by the Dominion Government and a clear definition of their responsibilities would be a step forward. The number of agents operating on a yard could then be controlled.

e. Truckers.

Careful attention must also be paid to the regulation of truckers' activities. Licensing, bonding and the use of standard bills of lading are strongly recommended. It is definitely not in the interests of the farmer to allow truckers to sell stock themselves and this practice should be prohibited. The evidence showed definitely that trucked-in stock brought the farmers generally a much lower price than that sold otherwise. It has, however, a bad effect far beyond the lower prices actually received for the trucked-in stock.

3. MARKETING OF HOGS.

In the marketing of hogs a system prevails in Canada which is not to be found in any other country in the world. With a view to improving the quality of our hogs the regulations of the Federal Department of Agriculture require that \$1 per head premium be paid on all which come up to the grade called "select." By this means the price of select hogs is automatically fixed at \$1 per head above the grade known as "bacon."

Prior to 1927 the premium paid for selects was \$2 per head, based upon a grade of hog known as "thick smooth." In that year the packers endeavoured to have the premium entirely wiped out, but failed. They compromised at \$1 per head. In September, 1929, the grade known as "thick smooth" was abolished and divided into two grades known as "bacon" and "butcher" hogs. The bacon hog was made the standard grade upon which prices were quoted. Fifty cents a hundredweight differential below the bacon hog was fixed for that class of hog formerly included in "thick smooth," but now segregated as a "butcher" hog. This division was made possible by an improvement in the quality of hogs. The records show that in the division of this grade from "thick smooth," the majority of the hogs fell into the class now called "butcher," and accordingly a deduction was made in the price of these hogs equal to the premium paid on "selects." As the number of "butchers" produced largely exceeds the number of "selects," the division was to the advantage of the packers owing, first, to the use of "butchers" for the production of bacon for export to Great Britain, and, secondly, to their use in the fresh meat trade, where they often command a price equal to that of "selects" and "bacons."

The various grades of hogs adopted by the packers and now recognized by the Department of Agriculture are as follows: select, bacon, butcher, light, heavy, light sows, heavy sows.

Though the government have fixed this premium of \$1 per head on selects the packers generally refuse to purchase any hogs of any kind unless they buy them upon the basis of a fixed differential in price. This differential is fixed by themselves. The producer has nothing whatever to say about it. This differential means that the packer deducts from the price paid for the "bacon" grade certain definite fixed amounts for each of the grades lower than "bacon" grades, and will only pay for these grades on the basis of these reduced prices. For example, in a load of hogs containing these various grades payment will be made on the following basis:

Select—Bacon price plus \$1 per head.

Bacon—Possibly \$5 per cwt.

Butcher—\$4.50 per cwt.
Light—\$4 per cwt.
Heavy—\$4 per cwt.
Light sows—\$3 per cwt.
Heavy sows—\$2.50 per cwt.

These grades, however, exist only for the purpose of making settlement with the producer. As soon as he is paid the hogs lose their identity as grades, and thus you find all classes used equally for the domestic trade, and most of the classes used for export purposes. No such differential exists when the packer sells the product of the various grades.

We believe that this is not in the interests of the producer, who should be able to sell his hogs grade by grade, and that the packing companies should be willing to buy according to grade. If the producer or his agent were able to separate the grades and sell them by such a method, there would be greater competition among buyers for many of these grades. For example, lights and heavies are used in the fresh meat trade just as are bacon hogs. Indeed, all packers admitted that the products of lights, heavies and butchers were sold for the fresh pork trade as well as Wiltshire sides, and were also cured as bacons and hams for the export market. We have no doubt that there are many buyers who would be willing to purchase butcher hogs, light or heavy hogs, for their particular trade, but could not handle the entire load and pay the premium necessary for selects.

The manager for Swifts, who appeared before us, admitted that if the fixed differential was abolished the butcher hog "might sell against the bacon hog and then you have two men bringing in hogs of different quality, both getting the same price for some reason or other." For the same reason we believe that lights, heavies and sows would bring a better price if sold in separate grades than if sold at the fixed differential.

We recommend, therefore, that the system of sale of hogs by fixed differentials be discontinued with the exception of the premium on selects, and that each grade of hogs should be sold separately at whatever price it will bring. We are definitely of the opinion that this will tend to lessen the differential, as it will make competition possible from wholesale butchers and order buyers who are now unable to secure their supplies owing to the fact that they are in the market for one or possibly two grades of hogs.

4. GRADING: HOGS AND CATTLE.

The system of grading by representatives of the Federal Department of Agriculture has been a big factor in improving the quality of Canadian hogs. Of recent years there has been introduced a system of grading on the rail, that is, grading the carcass. This system has some advantages and is popular in some places. It requires the marking of hogs to make possible the identification of each hog slaughtered after it is dressed. No such system of marking, however, has been worked out that would enable rail grading to be used generally in Canada. True, it is the system used in Denmark, but there the packing plants are scattered in small units throughout the country and they have no problem arising out of the shipment of live stock for hundreds or thousands of miles such as we have in Canada. It is our opinion that grading of live hogs by the Department of Agriculture officials has been done efficiently, with a small percentage of errors, and should be continued. Rail grading should be introduced and developed where conditions make it possible and producers desire it.

In the sale of cattle no official grades have been established by the Government. The packers have their own grades, the commission men sell according to their grades, and the price is paid according to that grade. It is important, therefore, that there should be some definite official government grade, so that producers may be better protected on the grades of cattle marketed by

them. We believe further, that when packers have bought cattle and paid for them according to a grade, even such as they establish themselves, such cattle, when killed, should be sold to the consumer by the same grade.

We recommend, therefore, that cattle be graded and sold on grades.

5. RETAILING OF MEAT PRODUCTS.

Chain store activities and packer connections with the same have been investigated, and we believe that they are not in the interests of the producers. Weaknesses in the present system of retailing are, however, due also to other and deep-rooted causes. There is, for instance, great abuse existing in the retail trade in regard to the matter of quality for price, and great injury done to the consumer and indirectly to the producer by the non-recognition of quality. Poor meat is sold for good meat, and meat not inspected for tuberculosis comes into competition with inspected meat. In London, Ontario, conditions were so unsatisfactory that the sale of boneless veal was prohibited by a municipal regulation. One witness stated that the low-grade veal is mixed with a few pieces of better-class veal and worked into rolls. Such practices cannot help but destroy the market for meat. There has been developed, in advertising, it is true, the use of such phrases as "Baby beef," "Milk-fed veal," etc. These phrases, however, mean little except as a method of deceiving the public.

Cutters, canners, bolognas, and bulls all provide a low-quality beef. The meat from these animals should not be sold under conditions that make it possible to have it passed as beef from better class animals. These practices, in our opinion, definitely point to the need for meat grading, so that the customer will be able to determine what he is getting.

The increasing demand for red and blue label beef is an indication of the consumers' appreciation of quality, when sure of that quality. As one witness who appeared before us stated:—

That the public are receptive to suggestions of this kind is shown in the results of the beef grading policy which, as you are aware, was inaugurated by the federal government in 1928. This policy established two grades, red label and blue label, and provided grading services in abattoirs.

In spite of the puny effort placed behind the publicization of this policy, increases in graded beef consumption was spectacular. Here are the figures:—

Year	Red label	Blue label	Total lbs.
1931..	6,346,558	10,894,190	17,240,748
1932..	7,534,881	14,213,887	21,748,768
1933..	9,885,635	20,796,974	30,682,609

The cattlemen's criticism of this policy is that no adequate effort has been made to explain it to the buying public (with the result that in every city in Canada certain butchers, exhibiting the health of animals branch stamp of approval and indicating it is as the blue brand, have fraudulently capitalized on the policy) and that no adequate return has been made to the producer of branded beef. I might say that beef killed and medically inspected in a medically inspected abattoir have a blue stamp on them, that is approving the health of the cow. The average housewife will point to this, and she does not know anything different. The prices paid for cattle qualified for the red and blue label when hung on the rail and those not suitable for grading, choice though they may be, are one and the same. No premium is paid for quality, that is, has never been returned to the primary producer as a premium.¹

Abundant evidence was furnished us that cattle of the lowest grade known in the trade as "cutters and canners," purchased at prices below one dollar per hundred, found their way into the fresh meat trade, and were sold by the packers

¹ Evidence of the Committee, page 738-9.

at as high as eight cents per pound. The effect of the sale of such low quality product is to prevent the producer of better grades from getting a fair price for his product.

It was alleged by certain witnesses for the packers that the low price paid for the highest quality of cattle was due to the over-supply. In previous years it is stated this surplus was taken off the market by the export trade, to the extent of about 10 per cent per year, thereby maintaining fair market prices for the remaining 90 per cent consumed in Canada. We believe that if all that class of cattle known as "cutters and canners" which bring a price of less than 1½ cents per pound, on the Toronto markets, were prohibited from entering the fresh meat trade, the effect would be to remove all surplus by removing the lowest grade, and thereby to maintain a fairer market return for the better grades of cattle. This would be in the interests of the consumers as well as the producers.

Prices charged for canner beef would indicate that better quality should be supplied. The Commission received evidence that prices quoted on such beef by packers ranged from 5½ to 10 cents per pound.

It is difficult to believe that there is need for selling beef from animals of this type and it is recommended that a percentage of them be removed from the beef trade and diverted to other uses, such as fertilizer, tannage, etc.

Municipal and smaller abattoirs, not inspected at present, should be placed under the Health of Animals Branch. This extension of authority should be instituted immediately, in co-operation with provincial and municipal officials. Cattle infected with tuberculosis should be absolutely excluded from the country killings wherever possible, as well as from the commercial slaughterings. Diseased, old and thin stock should be kept off the market entirely; they should be used for tannage or fertilizer or consigned to the graveyard.

6. EXPORT TRADE.

The handling of live stock and meat products for the export trade needs a greater measure of supervision, particularly in bacon and pork products. A satisfactory solution can only be obtained by co-operation of all the interested parties—producers' and marketing organizations, shipping companies, and Government departments interested.

a. Cattle Exports.

Live cattle should be graded before export to Great Britain. There are no more critical cattle men, or butchers, in the world than those of Great Britain, where cattle herds are as fine as any in the world. For years, Canada has tried to secure access to the British market for her live stock, and now that it is open, every effort should be made to ensure that only cattle of the right quality reach that market from this country. Careless individual shippers should not be allowed to damage the reputation of Canadian cattle in the British Isles.

b. Export of Pig Products.

The export of bacon and pig products to Great Britain is not satisfactory and we are satisfied that an improvement is, and has been, possible. It has been pointed out by witnesses that the price of bacon hogs (the basic hog in Canada) is determined by the price paid for bacon in Great Britain. The Canadian Government and the Canadian packers have carried on an intensive campaign for over fifteen years to persuade farmers to improve the quality of hogs in Canada, so that Canadian bacon might compete with Danish bacon in the British market. As a result there was a distinct improvement in the quality of hogs and, for a time, Canadian bacon was selling for almost the same price on the British market as the Danish product. During the last two years, however, the spread between Danish and Canadian bacon has widened; the average spread being about ten shillings for 112 pounds. Packer witnesses

have said that this is due to the poor quality of Canadian hogs. This does not appear to be a correct answer, as Canadian bacon and select hogs have improved steadily in quality as well as in percentage over the last fifteen years. Neither is it due to a scarcity of bacons and selects. Thirty-five per cent of our Canadian hogs grade bacon or selects, and our exports of hogs to Great Britain are only about ten per cent of our total production.

Packer witnesses have admitted that there are five grades of hogs from which bacon shipped to the British market is made, viz: selects, bacons, butchers, lights and heavies. Butchers, lights and heavies are all subject to a fixed differential of 50 cents to \$1 per one hundred pounds below bacon hogs when purchased by the packers, because they are regarded as inferior hogs. Therefore, it seems altogether wrong that bacon from these hogs should be included in shipments to Great Britain and in that grade of bacon that sets, to the advantage of the packer, the basic price in Great Britain and hence the price of bacon hogs in Canada.

The A grade bacon should be composed of sides from select and bacon hogs only, and should be carefully graded to ensure that any inferior sides from selects or bacon hogs are excluded, as well as any inferior from the standpoint of dressing or cure. Canada's total exports to Great Britain have not exceeded thirty per cent of the selects or bacons marketed. Lights, heavies and butchers should be absolutely excluded from A grade. It seems reasonable to expect that those farmers who have responded to the call for better quality should be assured that the bacon from the best of their product should set the price, especially as they produce sufficient of that best to fully meet the demand.

The present grading system is not satisfactory. Grading of bacon for export is done in Canada by the packers and evidence shows that in some cases it was not properly done. Grading of bacon, and also hams, should be done in Canada by qualified Government inspectors. Farmers have a right to expect that such grading be as rigidly enforced by the Government through its own inspectors as is the case with live hogs.

This whole subject is of such importance to the primary producer that we feel some quotations from the evidence concerning it are justified.

J. S. MacLean, President, Canada Packers Ltd. (Page 251 of the Evidence of the Committee)

You see if the market advances, the Canadian price here goes up immediately, and if the market declines, the Canadian price goes down immediately; and the hogs are bought on the basis of the English market practically all the time. Remember that is not an absolute rule, because there are a hundred variations to it. But the variation from the export basis is always small, so that if the hogs, if the bacon were select, it would bring six shillings more, and the farmer would benefit correspondingly. I hope I have made that clear, Mr. Factor, so that, if throughout this year, bacon had sold all the time at a price of six shillings higher than it actually did, the Canadian farmer would have received a cent a pound, two dollars a hog, or \$12,000,000 more for his hogs this year.

Mr. Senn:

Q. Practically ten per cent of our production of hogs, they tell me, is exported?

A. Yes.

Q. Can you tell me what proportion of hogs which come to the abattoirs are select? What percentage?

A. They get about 20 per cent.

- Q. How do you account for the fact that we can't send ten per cent of first-class select bacon overseas?
- A. For many reasons, the two principal ones are the select hogs don't all go to the export packers, which cuts it down, I suppose, about fifty or sixty per cent, and these hogs are killed by packing houses, which are not in the export trade; and of the actual select hogs that are killed in the packing houses, about 25 per cent are bruised in such a way that they are not suitable for Wiltshire sides. Then besides that, these packing houses that export bacon also have a domestic trade; they can't divert all their good hogs from their domestic trade to their export trade.

By the Chairman (page 275 of the Committee Evidence):

- Q. No, I do not misunderstand. I understand very clearly two points: one is, that complaints came from Great Britain during the past six months, because of the inferior class of bacon that we have been sending over there, not our best, not our select, but our second grade. There have been a lot of complaints. I am stating that definitely, and knowing what I am talking about?
- A. It is possible you do not understand all those complaints.
- Q. That is one statement. The second is this, that one of your representatives said they preferred to send a certain proportion, and he said a very substantial proportion of what he called seconds.....
- Q. If we were raising all bacon or all select hogs, there would not be any seconds shipped.....
- A. Selects are about 20 per cent and bacons about 30.....
- A. Bacon hogs I mean—out of the 50 per cent, there would not be anything of that lower 50 go to England.

E. J. Smith, representative of White Packing Co., Stratford (Page 1115 of the Committee Evidence):

- Q. You have made a specialty of buying Canadian hams in your business and you have a large demand for them?
- A. Yes.
- Q. Out of your hogs you make your Wiltshire sides from both the select, the bacons, the butchers, and the lights?
- A. Yes.
- Q. Then they are sent over to the Old Country in the form of Wiltshire sides?
- A. Yes.

Mr. Sommerville:

- Q. Would you look over that list and tell me if that is not a list of the requirements of weights and grades of the British Market?
- A. These are the selections and leanness of No. 1 selection, fifty to fifty-five pounds; fifty-five to sixty pounds; sixty to sixty-five pounds; and sixty-five to seventy pounds. Perhaps the greater proportion of the sides will come within these ranges. There are some at times that are less than fifty pounds and some at times more than seventy pounds.
- Q. Yes, but we will keep to this range at this time. I observe that No. 1 selection consists of four different classes, weight fifty to fifty-five pounds; that could be made from a light hog?
- A. A light hog.
- Q. And fifty-five to sixty pounds could be made from a select or bacon?
- A. Yes.
- Q. And sixty to sixty-five pounds from a select or bacon, and sixty-five to seventy pounds could also be made from a heavy?
- A. Yes.

Q. So that you may have in the first grade of hogs that range from fifty to seventy pounds, Wiltshire sides, that may be made from either selects, bacons, butchers, lights or heavies?

A. Yes.

Q. Then prices are affected by the weights of the sides, are they not?

A. To a certain extent they are.

Q. And the most desirable sides are from fifty-five to sixty and sixty to sixty-five pounds?

A. Yes, sir.

Mr. Wilson, Animal Products Trade Commissioner in England (p. 1129 of the Committee Evidence):

Referring to Canadian bacon itself, and relating to its quality, the exports expanded so rapidly that it was inevitable the variation in the types of side, trim and general quality would be wider. I presume, too, it was only human that each Canadian exporter was anxious in the changed relative positions of foreign import bacon, to develop his clientele in the Old Country as rapidly as possible, with a view to bettering his selling connection in the future; and that may have led to leniency in shipping qualities of bacon such as were described by Mr. Smith this afternoon. Might I also mention, that there were several Canadian packing houses who started to export bacon as well, and, not being familiar with conditions in the United Kingdom, they had something to learn. Within the short period of from eight to fifteen months in which these respective new shippers have been sending forward their bacon, they have made very nice progress in improving its quality.

W. W. Kennedy (Acting Chairman):

Q. Has the fact that a certain amount of inferior bacon has gone over there, destroyed to any extent the reputation of Canadian bacon?

A. It has affected it, there is no doubt about that; because, irrespective of merits of particular brands, all our bacon is looked on as Canadian bacon, and the higher the percentage is of, shall we say, No. 2 bacon, because some of it goes over—and the greater the irregularity in the type of sides, the greater will be the depressing effect upon Canadian bacon price.

Summing up, we feel that the system at present in vogue in handling Canadian bacon on the British market operates primarily to the advantage of the packer exporter and the distributor concerns on the British market, and that there is insufficient consideration given to the interest of the primary producer. If, however, as the President of Canada Packers has declared, the price of bacon in Great Britain fixes the price of hogs in Canada, it is obviously of vital importance to the producer of hogs that the marketing of Canadian bacon should be on a fair and equitable basis.

Evidence given us has shown that it was possible to secure for high-class Canadian bacon a price substantially in advance of the prevailing price and a figure practically equivalent to that of Danish bacon. This, however, was secured only through British marketing agencies other than those included in the British Bacon Committee. It was also pointed out that predatory action had been taken by the Bacon Committee to discourage independent dealers from handling Canadian bacon, such as the "Big 'O' Brand," at a price above the "official" price.

The fact that the packing companies include in Grade "A," bacon made from several classes of hogs, including "selects," "butcher," "light," "heavies," and that the Bacon Committee in Great Britain is composed of British distributors who work in close co-operation with the Canadian packers, discloses, in our

opinion, a condition in the marketing of Canadian bacon in Great Britain which demands the attention of an independent body with government authority in order that the producers' interests may be properly protected.

Elsewhere in this Report we recommend that a board be set up to supervise the live stock and meat production industry. This board should, in our opinion, immediately on its appointment make a careful survey of the situation in the British market with a view to:

- (a) Ascertaining to what extent Canadian packers and the British Bacon Committee operate as a mutual body; and
- (b) To revise the grading of export bacon so as to insure the highest possible price for Canadian "selects" and "bacon" hogs; and
- (c) To secure such a system of distribution as will satisfactorily meet the requirements of the British trade, while at the same time insuring full and adequate protection to the producer of hogs in Canada.

7. FREIGHT RATES AND THE LIVE STOCK PRODUCER.

The place of the railway companies in the development of a better live stock policy, is important. The matter of freight rates, whether referring to stock for export, feeding in transit or for domestic slaughter, requires adjustment.

More respect should be paid to the basic fact that cattle are vitally necessary to a permanent agriculture. Drastic steps are justified to support this industry in a reasonably profitable state. When a prospective market for feed wheat in the United States loomed up during the past winter, there was a prompt reduction of freight rates to facilitate the Canadian movement. Similar action on export live stock rates is justifiable. In regard to "feeding in transit" rates, a shift in the areas of finishing of beef cattle, produced on the ranches of the West on farms in Alberta and Saskatchewan and Manitoba, have developed in recent years. Feed in transit rates were established to encourage feeding of western cattle in Ontario. It would seem that they are equally justified and necessary to facilitate movement of feeder cattle to Prairie points.

8. CONCLUSION.

There is need for organization of the marketing of live stock, and especially cattle, in this country, to ensure for the producer a fair price; something which he certainly does not receive at present.

While we are confident that our recommendations, if carried out, will do much to help the live stock industry, we believe that very few of these matters are capable of automatic operation. They require constant supervision and study. Live stock producers are attempting to organize under the National Products Marketing Act. The United States market is again taking some cattle from this country. Markets are changing, and these changes will bring problems as well as advantages.

It is true that the price of hogs has been raised in Canada due to the Ottawa Agreements and the British Pig Scheme, and that during this past year they were at a fair level. In respect to cattle, however, prices ruling during 1933 and 1934 were about one-third to one-half the cost of production. The situation, therefore, is still acute.

As a step toward the solution of some at least of the problems which we have outlined, we recommend the establishment of a Live Stock Board, under appropriate jurisdiction. The duties of the Board should include, among others, the following:—

- (a) The prompt dissemination of information to producers and the trade generally, in respect to production, marketing, stocks, and prices, both export and domestic;

- (b) Administrative jurisdiction in matters connected with all phases of live stock marketing and in connection with disputes between producers, processors, etc.;
- (c) Licensing and supervision of truckers, dealers and export packers; where necessary in co-operation with provincial authorities;
- (d) Adequate inspection of all marketing stages and action to correct abuses;
- (e) Co-operation with producers, processors and the trade generally, to ensure as far as possible a balance between production and available markets;
- (f) To encourage the organization of producers of live stock for regular and orderly marketing;
- (g) Improvement of quality of all live stock;
- (h) The formation of a uniform policy on external marketing with a view not only to promoting new, but also retaining and developing, existing markets;
- (i) The stabilization of supplies, and the regulation of quality to each particular market;
- (j) The utilization of all available means to secure fair returns to the primary producers of good stock.

5. THE FISHING INDUSTRY

1. GENERAL CONDITIONS IN THE INDUSTRY.

a. Introductory.

We now come to an occupation which is important, not merely to the primary producer engaged in it, but to the whole economic life of Canada's Maritime provinces. We deal with it here in somewhat greater detail than we have done with the other aspects of primary production brought to our notice. This is primarily due to the fact that the whole industry is treated in the one chapter; not merely that phase of it which concerns the producer. If we had followed the order of our other investigations we would have dealt with the processing and distributing phase of the industry in Chapter IV and with the fishermen alone here. It is extremely difficult, however, to separate the various phases of this industry, and we have, therefore, adopted the plan of consolidating our consideration of this important branch of our national economy in one section.

It should perhaps be added that our investigation covered merely the fisheries of the Atlantic Ocean and did not touch upon fresh water or Pacific fisheries.

With these reservations, we inquired carefully into the position of the primary producer in the fishing industry. The opportunity was given to a number of practical fishermen to appear before us and to give us valuable evidence based on an intimate knowledge of the industry. Of these witnesses representing the fishermen six were from the province of Nova Scotia, six from New Brunswick, two from Prince Edward Island and three from the province of Quebec.

Witnesses representing the distributing and marketing phases of the industry appeared before us. We also received evidence from our auditor who had conducted an inquiry into the records of the largest fresh fish distributing company on the Atlantic Coast. Finally, we received a report from our investigator who had been especially commissioned to conduct an inquiry into the fishing industry.

b. Extent and Importance of the Industry.

It is desirable, in the first place, to refer to the nature and extent of this industry which is one of Canada's great natural resources.

Adjacent to the Maritime Provinces there is an ocean fishing area of approximately 200,000 square miles, and in addition there are 15,000 square miles of in-shore fishing waters directly under the control of the Government of Canada.

The principal products of this large area are cod, haddock, hake, herring, halibut, pollock, mackerel, sardines, salmon, smelts, swordfish, tuna, lobsters, oysters, and clams.

The average yearly market value of the catch in the Maritime Provinces from 1927 to 1933 inclusive, was over \$14,500,000, or over 35 per cent of the total value of all fish taken in Canada during that period. In 1933 the market value of the catch was \$9,914,068.

The average yearly value of the catch in Quebec of sea fish only during the period 1920-1932 was \$1,990,000. In 1932 the market value of sea fish caught was \$1,362,979.

The capital investment of the fisheries of the Maritime Provinces in 1933 amounted to over \$14,000,000, as follows:—

	Vessels, Boats, Gear, etc.	Canning and Curing Establish- ments	Total
	\$	\$	\$
Nova Scotia.....	5,837,660	2,383,448	8,221,108
New Brunswick.....	3,265,812	1,911,960	5,177,772
Prince Edward Island.....	927,152	182,725	1,109,877
	10,030,624	4,478,133	14,508,757

The number of fishermen in the Maritime Provinces in 1933 and in Quebec in 1932 was as follows:—

Nova Scotia.....	17,133
New Brunswick.....	12,289
Prince Edward Island.....	3,194
Quebec.....	11,866
Total.....	44,482

These figures indicate an increase of 7,220 over the 1927 figures, which were:—

Nova Scotia.....	16,131
New Brunswick.....	9,701
Prince Edward Island.....	2,675
Quebec.....	8,755
Total.....	37,262

In addition to actual fishermen there are a large number of shore workers directly engaged in the industry. In 1927 and 1933 the number of these shore workers in the Maritime Provinces and Quebec, were as follows:—

	1933	1927
Nova Scotia.....	3,420	3,616
New Brunswick.....	2,240	2,146
Prince Edward Island.....	1,504	1,461
Quebec (1932).....	1,073	1,288
Total.....	8,337	8,511

It will be noticed that the increased number of fishermen as reflected in the comparative figures for the years 1927 and 1933 is not reflected in a similar increase among shore workers, which has remained practically the same. The increase in fishermen is probably due to more men turning to the fisheries for employment in a period of depression and this, in many instances, did not involve more shore workers.

The fisheries of the Maritimes and Quebec are as widely diversified as they are prolific and extensive. Instead of being referred to as one industry, the fisheries of this section of Canada might well be considered as a number of separate industries bearing similarity only in so far as the product marketed is secured by the fishermen from the waters of the seacoast and the inland lakes and rivers of Eastern Canada. Not only is there great variety in the species of fish caught, but there is even greater diversity in the manner and forms in which the fish is processed and marketed. Even in the case of a particular variety of fish, there are rapidly changing conditions during different seasons of the year, and different market conditions obtain from month to month.

The fishing industry of Eastern Canada is, therefore, a most complex one, and any inquiry must proceed to examine the industry in its component parts rather than to proceed along general lines toward a general solution.

c. Fisheries and the Depression.

It is unfortunately true that general conditions in the fishing industry have not improved since 1927, with the result that the present situation, and certainly the position of the individual fisherman, is less favourable than it was in 1927, when the report of the Royal Commission investigating the Fisheries of the Maritime Provinces and the Magdalen Islands revealed the existence of conditions in the whole industry which were not warranted by the economic conditions then prevailing in Canada and in the world. It is worthy of note, in this connection, that our investigation has found a continuation of these conditions, though perhaps in a more accentuated form. The findings of the 1927 Commission, however, clearly indicate that the condition of the industry to-day is not the direct result of the depression alone. Its problems, therefore, will not be solved merely by a general improvement of economic conditions.

The total annual marketed value of all fish landed in the Eastern Division of the Department of Fisheries, comprising the provinces of Nova Scotia, New Brunswick and Prince Edward Island and the Magdalen Islands of Quebec for the past eight years was as follows:—

1926.....	\$19,823,557
1927.....	17,280,216
1928.....	18,524,697
1929.....	19,334,431
1930.....	17,026,070
1931.....	13,680,034
1932.....	10,914,306
1933.....	10,266,474

This table shows how the industry declined even during a period of general prosperity.

d. Concentration in the Industry.

One of the most important problems is the trend, apparent for many years, toward centralization in the distributing end of the industry.

It appears that formerly there were a number of small companies or dealers purchasing fish from the producers in practically every fishing centre along the Atlantic Coast. Gradually, consolidations and amalgamations took place; some of the dealers were forced out of business; larger companies arose. For a time these larger units maintained plants along the sea coast, but later the plants located at remoter points were closed and there became apparent a general trend towards centralization. Even in communities where dealers and companies continued to operate, this trend toward centralization had its effect through a decrease in the number of those offering to purchase fish. In other words there was a local "centralization" even in instances where this did not extend to provincial "centralization."

About this period, too, there seems to have arisen a somewhat extraordinary form of business relationships between the distributing companies and dealers.

It appears that while these companies would at times co-operate with one another in so far as the purchasing of fish from the producer was concerned, the same companies and dealers would engage in keen and sometimes cut-throat competition in the marketing of the very product in the purchase of which they had co-operated.

This lack of consistent and properly directed co-ordination (which will be discussed later) seems to have been reflected throughout most of the distributing and marketing end of the industry. Uneconomic and unsound trade practices have thereby arisen and have become too firmly established.

These various factors gradually, over a somewhat extended period, have led to what we believe to be the basic problem of the fishermen of Eastern Canada. Limitation of domestic and foreign markets, concentration of distributors, the lessening of the number of buyers and agreement between the dealers in so far as purchases from the fishermen have been concerned, have inevitably led to an almost total loss to the fisherman of bargaining power without which he is reduced to the position of having to accept from the dealers for his fish whatever price they care to offer.

The grave problems facing its industry are shared in common by practically all of the various branches into which the industry resolves itself. The deplorable conditions of the primary producer and the serious inadequacies of sound marketing facilities, the unsound trade practices that in many instances have caused hardships to the fisherman and injustice to the consumer, arise alike in many phases of the industry.

The evidence submitted to us, however, clearly indicates that there are few, if any, problems in connection with actual production. The catch of fish in Eastern Canada is ample, and, in some seasons, more than ample to meet the demands of Canadian and export markets. The difficulties that do arise are principally associated with the processing, handling, distributing and marketing of the catch, and it would appear that in this field, reform is urgently needed.

2. FRESH FISH INDUSTRY.

The evidence we received as to the fresh fish trade related largely to conditions under which Atlantic fish is caught and subsequently marketed in Montreal and Toronto, for, as stated in the report of the Royal Commission of 1927, what is true of these markets is characteristic of other domestic outlets for fresh fish.

For the purpose of this report the term "fresh fish" is to be interpreted as including not only fresh fish, but also frozen fish and fish that has been lightly smoked. Due to the large quantities available and the price at which they may be marketed, cod, haddock and hake, which frequent the bottom of the sea and are generally known to the trade as "ground fish," form the staple varieties for the fresh fish trade. However, only a portion of the catch of these varieties is sold fresh.

The market value of these varieties of fish caught in the Maritime Provinces in 1933 was as follows:—

	Cod	Haddock	Hake
	\$	\$	\$
Nova Scotia.....	1,442,599	799,218	84,032
New Brunswick.....	209,997	31,048	57,042
Prince Edward Island.....	65,021	2,136	8,092
	1,717,617	832,402	149,166

"Ground fish" are taken along the Atlantic Coast by fishermen operating from schooners or in smaller boats, and in the case of one company, by steam

trawlers. The producers working from schooners are generally known as "deep sea fishermen" and those using small boats as "shore fishermen." The former fish over a wider sea area than the latter, but for the most part both classes work upon a share basis, and their remuneration is based not on fixed rates of pay but upon a percentage of the value of the catch.

The larger schooners as a rule carry twenty-three men and confine their fresh fish operations largely to the period from September 15 to April 15, making trips to and from the fishing banks every seven or ten days.

Fishing from shore boats is carried on throughout the year on days when weather permits, with usually two or three men to a boat. The practice is for the boat to leave for the fishing grounds about three o'clock in the morning, returning to the wharf late in the afternoon. In the evening the fishermen bait their trawls and prepare for the next day's work.

The steam trawler on the other hand, endeavours to make short and frequent trips throughout all months of the year.

After landing, the fish for marketing fresh is culled, weighed, and packed in crushed ice in boxes, each containing from 150 to 200 pounds of one variety, the weight depending upon the season of the year part of the fish is filleted. Fresh fish is shipped from the Atlantic coast to the markets of Ontario and Quebec in one of three forms: filleted, round or headless. This fish for the most part is shipped to wholesalers upon the basis of prices quoted upon a sheet issued by the distributing company the previous week, or pursuant to terms arranged by telegraph.

Evidence shows that most of the companies dealing in both fresh and salt fish prefer to market their product in the fresh state, and handle in that form as large a percentage of the company's turnover as the conditions of the market and price will permit. Since there is frequently a surplus supply of fresh fish available for shipment, and especially in periods when the demand for salt or cured fish is light, it has become a practice for some distributors to forward substantial quantities of fresh fish to Upper Canadian markets upon a consignment basis. We were advised by wholesale dealers that it is not unusual for a dealer to have delivered to his plant in Montreal or Toronto a large quantity of fresh fish which he did not order and which he did not know was being shipped to him until the goods had actually been delivered at his plant.

Evidence was given, however, to show that this practice, while formerly prevalent among the larger companies, has now been largely restricted to the smaller distributing dealers, where it still acts to the detriment of the industry as a whole.

We were informed that prior to 1910 very little fresh fish was shipped from Eastern Canada to the upper Canadian markets, but after that time markets in Ontario and Quebec were more satisfactorily secured for Maritime Provinces fish. To-day Ontario and Quebec should afford an excellent Canadian market for Atlantic Coast fresh fish.

From the evidence submitted, it appears, however, that the potentialities of this home market have not been fully realized. Wholesale dealers from Montreal and Toronto who appeared before us stated that there has been a substantial falling off in the demands of their market for fresh Atlantic fish. In 1933 a total of 8,930,000 pounds of sea fish were marketed in Montreal. This was a decrease of over 6,000,000 pounds as compared with 1929, when 15,000,000 pounds were marketed. It was argued that the causes for this falling off in demand and consumption are to be found in weaknesses in the distribution and marketing system, which have directly affected the quality of fresh fish retailed in many stores.

It is unquestionably true that in many homes fish is eaten on certain days of the week, not so much on account of preference for fish as a food, as through habit or custom. It logically follows therefore that if the quality of fish made

available to these homes is not maintained at the highest possible standard, there is a distinct tendency for the consumer to depart from the usual custom, and to desist from eating fish, or at least fresh fish, even upon these particular days.

Conditions under which fresh fish is frequently handled in the markets of Montreal and Toronto, and the extent to which quality has been sacrificed to price, leading in some instances even to substitution of variety, appears to be a distinctly limiting factor in creating or maintaining the demand on the part of the consumer for fresh fish. These trade practices must be eliminated and the consumer assured of better quality of product before the Atlantic producers can hope to take full advantage of the potential expansion of the market for fresh fish in the provinces of Ontario and Quebec.

Evidence received by us indicates that there is considerable fluctuation within short periods in the wholesale prices of the different varieties of fresh fish sold in Montreal and Toronto, and that this is a further cause for disturbed conditions in these markets. This unsound position was referred to on page 33 of the report of the Royal Commission of 1927 as follows:—

Almost without exception the wholesalers in the markets of Quebec and Ontario expressed to us their preference for a stabilized price at the coast of from 5 to 7 cents per pound instead of the lower and widely fluctuating price prevalent at times during the past few years. A fall in the wholesale price is not apparently shared in by the consumer, and the tendency is for the retailer to maintain the higher level of prices to provide for possible losses. It is also said that fluctuating retail prices are regarded with some suspicion by consumers. There is therefore, the anomalous situation of the retailer and wholesaler both preferring a steady and higher level of prices yielding a greater return to both fishermen and shippers, while the shippers frequently lower the price in unprofitable competition with each other without any advantage to the consumer.

The circumstances referred to in the above report still exist. It is to be hoped that the application of needed reforms, recommendations regarding which are submitted below, will result in the elimination of these problems which have too long existed to the detriment of the industry as a whole.

3. DRIED AND CURED FISH INDUSTRY

It has been submitted to us that the dried and cured fish industry of the Maritime Provinces and Quebec must be relied upon to provide a livelihood for a large proportion of the scattered fishing population along the Atlantic Coast. This has been made particularly so in recent years following the withdrawal from sections of Eastern Nova Scotia of several companies formerly dealing in the fresh fish trade.

The problems associated with the dried fish industry have been fully placed before us through reports and by competent witnesses. Cod is the staple variety of fish used for the dried fish trade, with haddock little in demand.

This branch of the fishing industry has declined in recent years, but as mentioned in the McLean Report of 1927, the decline in the Gaspé Peninsula and in the district of Northern New Brunswick is less marked than at other points along the Atlantic Coast.

The dried and cured fish industry from the production point of view divides itself into two parts: the Banks fisheries, carried on largely from Lunenburg with schooners carrying about 200 men each; and the shore fisheries, carried on by fishermen operating in small boats along the coast of the Maritime Provinces and Quebec.

From Lunenburg large schooners operate in this branch of the industry from April 15 to September 15, and during that period three trips are made. On each of the first two trips the vessel is away from its home port for about four weeks, and on the third trip, for about three months.

During the other six months of the year these schooners engage in the fresh fish trade, but since high-powered vessels are required to make the rapid trips necessary in fresh fishing, some schooners are able to operate only during the April 15 to September 15 period. For instance, in 1933, out of Lunenburg 26 vessels were engaged in salt fishing, but only 15 of these were suitable for engaging in the fresh fish trade. It is also significant that during the fresh fishing season the boats usually carry a crew of 23 men, but while salt fishing the crew is reduced to 19. This means that approximately 30 per cent of the deep sea fishermen at Lunenburg can secure employment only during the six months' period when schooners engage in the salt fish trade.

While the schooner is at sea the catch is salted and stored in the hold of the boat. After unloading at the end of each voyage the fish is turned over to shore operators who are known as "curers" and is prepared for shore drying by careful washing to free the fish of all slime or other accumulations, piling to allow the pickle to drain off and drying in the open air on flakes. Flakes are constructed of wood, consisting of a frame filled in with lattice work made of triangular inch strips, or in some instances on more modern flakes of wire netting. The fish must be carefully turned on the flakes, collected and stored at the least suggestion of damp weather. During the latter stages of drying the fish is periodically placed in large piles to sweat. They are again spread out to complete the drying process, and the moisture which comes to the surface during the sweating period disappears.

We were advised that the best grade of fish is produced by sunshine and low temperature. To supplement ordinary sun drying artificial drying plants have been established at Lunenburg and Halifax, though these plants cannot be used for the complete process.

A witness from Lunenburg who appeared before us stated that fishermen are paid for their dried fish after it has been delivered by the curers to the company, and that in practically every instance the amount of money due for this fish has already been used up in credits given the fisherman's family at the company store. We were advised that when the final settlement for the salt fishing season is made late in December, the average fisherman receives practically no cash, his income having been taken up in store credits during the period he was away on the fishing banks. In this community, Lunenburg, the transaction arising from the salt fishing period appears to be substantially one of barter between the company store and the fisherman's family.

On the Gaspé coast and in Northern New Brunswick, the dried and cured fish industry is carried on upon a slightly different basis. There the fishermen operate mostly in small boats with four or five men in each boat. Some of these vessels operate off shore on trips of about a week each, largely returning on Saturday night, discharging the fish, which has been only lightly salted, on Sunday, and returning on the fishing grounds on Monday. The work of drying and curing the fish in these districts is done mostly by the women and children, and it is the usual custom to find the entire family of the fisherman actively engaged in production of the dried product. Part of the catch is landed fresh and dried by buyers on shore.

On the Gaspé coast much of the fish packed is in casks of 4 quintals each for shipment to Italy. In this district a system of inspection of dried fish established and administered by the Government of Quebec is in force, but there is not sufficient evidence before the Commission to warrant saying whether or not it is sufficiently effective.

Of the dried and cured fish produced in the Maritime Provinces and Quebec only a very small proportion is sold in the domestic market; practically all is marketed through the export trade. Foreign markets for dried fish have been seriously depleted in recent years by economic conditions existing in countries where the purchasing power of the people has been greatly lessened. Further-

more, while formerly Canadian dried fish enjoyed a distinct preference in world markets, notably in the British West Indies, in recent years keener competition from the products of Norway, Denmark and Newfoundland has made serious inroads into these export markets. This has had a seriously adverse effect upon financial returns to the fishermen engaged in this branch of the industry.

We understand that this competition was the more difficult to meet because of Governmental assistance given to the exporters in certain foreign countries. For instance, Norwegian competition was increased as a result of:

- a. Close supervision of export by the Government of that country.
- b. Study of foreign markets and maintenance of fishery agents abroad.
- c. Rigid inspection and grading of different brands of fish, and
- d. Financial assistance to the fishermen through the Bank of Norway.

We were advised by representatives of important companies engaged in the dried and cured fish trade that the adverse conditions of trade have arisen solely through world-wide conditions and that these should adjust themselves over a period. While recognizing that economic conditions have been a major disability, we are of the opinion that this branch of the Canadian industry has failed sufficiently to improve production methods so as adequately to meet keener competition in foreign markets.

It was stated that Canadian dried fish are not as a rule what they should or could be with regard to quality of cure. We were advised that in apportioning blame for this and seeking a remedy it must not be forgotten that the system under which the business is conducted is largely responsible for lack of improvement in curing.

Speaking generally, those who export Canadian cured fish, and who are naturally in the best position to know the likes and dislikes of the consuming countries are neither the producers nor curers of the fish. Fishermen, whether bank or shore, split and salt the fish. The former on returning from a trip turn over the split fish to driers, while the latter or their families dry the fish themselves. The exporting merchant comes into the business and buys only when the product is dried and practically ready for market, at which time the price is fixed, usually at a flat rate. He thus has little or no direct control over either the splitting, salting or later drying.

It should be noted here, however, that exporters have endeavoured to induce splitters to improve the appearance of their fish by offering a higher price for those which were converted from what is called "black nape" to "white nape" by the removal of the black lining of the belly. It is stated that the response to this offer has not been very marked so far.

There are, of course, exceptions to the system as described above and there are places where the exporter buys the salted fish and dries them himself with success.

It would no doubt be a difficult and delicate matter to attempt to change the present system. At the same time it appears that in order to bring about general improvement in the speediest way, those who export the dried fish must enter more fully into and take more direct charge of the work of drying, either by buying the split fish on being landed from the vessels, or by operating in co-operation with fishermen, pending the fixing of a price for the dried product.

We were advised that at the present time there is no governmental inspection of dried fish in Canada, with the exception referred to above in respect to Gaspe coast, and that although this had been suggested to and discussed with those engaged in this branch of the industry several times in past years, the application of compulsory Government inspection has been opposed by the companies on the ground of impracticability.

Notwithstanding this there is a need for more adequate grading and inspection of the Canadian production of dried fish if Canadian fish is to regain the dominant place it formerly occupied in export markets of the world.

In this connection we would call attention to the fact that the Department of Trade and Commerce endeavours to co-operate with the producer at all times in the matter of developing export markets for Canada's fish and fish products.

In 1930 a complete survey of the world markets for fish was made and a report published which contained detailed information regarding the class of fish in demand in each country, the extent of the market, sources of competition, etc. This report was made available to fishermen and exporters. In addition to this, the Canadian Trade Commissioners abroad are constantly submitting reports on the possibilities of marketing fish in their territories and also regarding the production of fish in these countries. The reports are published in the Commercial Intelligence Journal, which is issued weekly by the Commercial Intelligence Service, and are frequently drawn to the attention of fishermen and fishermen's associations likely to be interested.

Considerable propaganda has also been distributed by the department to the export markets, in the form of posters, pamphlets and so forth.

In addition to the foregoing, the Department works in close co-operation with the Department of Fisheries in all matters relating to the markets for fish, or in respect to any legislation or regulations passed by competing countries, which might affect the interests of Canadian fishermen. For instance, the Trade Commissioners in countries which are large producers in fish, such as Norway and Japan, keep the Department informed regarding any changes in regulations relating to fisheries in the countries in which they are stationed, production trends, estimated exports, etc., and the Department passes this information on to the Department of Fisheries so that their records may be kept up to date.

The Trade Commissioners in China are working in the closest touch with the Dry Salt Herring Marketing Board of Canada. Through the efforts of the Trade Commissioner a gentleman's agreement was made by the leading dealers in dry salt herring in Shanghai to co-operate with the Board in maintaining prices and stopping cut-throat competition, which has been so detrimental to this trade in the past.

While discussing this question of government co-operation, we should mention that the Quebec Government has assisted its fishermen in the marketing of their product by the establishment of cold storage plants on the Gaspé coast. A bait-freezer plant, perhaps the most modern on the North American continent, was completed in 1933, has a capacity of 250,000 pounds, and is giving excellent service to the fishermen on the Gaspé coast. The Provincial Government has also subsidized five plants for the merchandising of fresh fish. Evidence given by fishermen shows that these are giving satisfactory results, and that requests have been made for the construction of additional ones.

4. HERRING AND SARDINE INDUSTRY

We received much useful information from witnesses as to conditions surrounding the herring and sardine industry of the Maritime Provinces, and especially that section of the industry which is operated adjacent to the Bay of Fundy coast of New Brunswick.

The total catch of herring, exclusive of sardines, in the Maritime Provinces in 1933 was valued at \$744,743, divided between the three provinces as follows: New Brunswick \$390,088, Nova Scotia \$290,803, and Prince Edward Island \$63,852. In Nova Scotia almost one-half of the herring caught was used for bait, while in New Brunswick it was mostly smoked or canned.

In New Brunswick herring is caught in very large quantities in weirs. The larger fish is smoked and the smaller fish sold in the fresh state to producing companies operating at Black's Harbour, New Brunswick, or at points along the coast of the United States. American factories take approximately 75 or 80 per cent of the sardine catch, but evidence was submitted that the average fisherman prefers to sell to the Canadian company at a stated price per hogshead, rather than take the chance of a larger, though less certain, return from American operators, whose method of setting a price is different.

The value of the sardine fishery in New Brunswick in 1933 was \$622,531, an increase of \$196,182, or 46 per cent over 1932. Nearly the whole of the value of the sardines is in the canned product. The pack in 1933 amounted to 180,597 cases, valued at \$542,255, compared with 113,197 cases, valued at \$395,531, in 1932.

On the Island of Grand Manan a large production of herring is smoked either by central dealers operating on the island or by the fisherman themselves. Fishermen in this district enjoy a distinct advantage, as this territory is the principal world producer of medium sized herring, a grade that is in great demand in export markets. Considerable local employment is also created in this district through a branch of the herring industry that is becoming of increased importance, namely, smoked boneless herring, most of which is finding a market in Canada.

A witness from Grand Manan stated that, in his opinion, the present distressed condition in this industry might be attributable, first, to the lack of proper uniformity of cure and pack of the herring and, secondly, to lack of proper methods of marketing. Of these two difficulties, he placed the inadequacy of marketing arrangements as the chief.

At the present time a large percentage of the production of smoked herring is packed in 18-pound boxes for the export trade, which is chiefly to various islands of the West Indies group, Haiti being the largest consumer. These shipments for the export trade go chiefly via New York by rail from St. Andrews or Eastport. This method of shipment involves transportation costs so high that during the past few years transportation on a box of herring from Grand Manan to the West Indies has involved a larger expenditure than the packer at times has received for his fish.

The domestic or local market for smoked herring is in the two pound box, commonly known as "Digby Chicks," and in the marketing of boneless herring. Attention should be given to this boneless herring trade, as it would seem that the domestic market for this product can be greatly increased.

The herring and sardine branch of the fisheries industry offers particular opportunities for more effective organization in so far as both the production and marketing branches of the industry are concerned. The major portion of this industry is centralized around a relatively small area, and the available markets are also confined to certain territories.

The Fisheries Board of Control hereafter mentioned could render important assistance to the fishermen engaged in this branch of the industry. Certainly immediate steps should be taken to study export markets for this product, with a view to assisting the individual fisherman in securing a larger monetary return for his arduous labours.

5. PICKLED FISH INDUSTRY

What is commonly called pickled fish consists of mackerel, herring and gaspereau cured in salt and brine and marketed in barrels. These fish are practically all cured by individual fishermen and largely sold to buyers for export to markets in the West Indies. The market for cured mackerel and gaspereau is almost altogether supplied by Canada. Newfoundland exports herring to the same market and that is the only competition Canada has in the pickled fish trade. This branch of the industry is confined largely to the Province of Nova Scotia.

In 1933 the market value of pickled mackerel produced in Nova Scotia was \$168,000 and of pickled herring, \$48,859.

A system of compulsory inspection of pickled fish was established by the Department of Fisheries in 1932, becoming effective the following year. The regulations laid down standards for barrels and for the various grades and qualities of mackerel, herring and gaspereau. No fish of that description is allowed to be sold or shipped without inspection.

The introduction of this compulsory system of inspection synchronized with an abnormal abundance of mackerel on the coast in 1933 with the result that the officers had some difficulty in satisfactorily inaugurating the system. It should, however, be continued. With full co-operation between the fishermen and the exporters, such inspection should serve materially to strengthen the marketing arrangements for the disposal of this catch.

6. LOBSTERS, SMELTS AND EELS

a. Lobster Industry

The lobster industry of the Maritime Provinces is of great importance and value, and the evidence submitted to us indicates that insofar as the fishermen are concerned, the situation here is, with certain exceptions, reasonably satisfactory. There is, however, much room for improvement in the marketing of live lobsters.

The lobster fishery is limited seasonally, but it produced annually, in recent years, over 375,000 cwts. with a value when marketed of \$3,500,000. Total marketed value of the 1933 lobster catch in the Maritime Provinces was \$3,306,879 divided between the three Provinces as follows:—Nova Scotia \$1,884,715, New Brunswick \$830,363 and Prince Edward Island \$591,801.

At least three quarters of the catch is preserved in cans and marketed outside of Canada, where it enters into competition with Russian and Japanese canned crab meat and crayfish, which is similar to the lobster. The balance of the catch is shipped to the market in the shell, mainly in the United States. The 25 per cent that is shipped in the shell, however, is almost as high in money value as the 75 per cent that is canned.

Live lobster shipments for the United States for the most part go forward on consignment, and as shipments are made over great stretches of the coast at the same time by individual fishermen, fishermen's co-operatives and coast buyers, there appears to be a need for these agencies to co-operate and so regulate or control shipments as to leave no room for unfair advantage being taken as at present by consignees in Boston, the principal United States market to which shipments are made.

Subsidized collection services established by the Federal Government at points in Eastern Nova Scotia have brought benefit to that section of the Province, although it would appear that this has to some extent at least been at the expense of lobster fishermen at other points along the coast.

There was also expressed to the Commission the opinion that express rates on live lobsters were excessive, and that a lowering of these rates to the same basis as now pertains to fresh fish would enable a larger volume of this product to be shipped to the markets of Ontario and Quebec.

b. Smelt Industry

The smelt fishery is one of the important branches of the industry on the Atlantic coast. It operates mainly in the winter time and has its chief seat in the southern part of the Gulf of St. Lawrence. The Provinces of Prince Edward Island and Nova Scotia together produce an average total of 16,000 cwt., while the Province of New Brunswick averages over 50,000 cwt. annually. The annual catch of smelts for the Province of Quebec amounts to six or seven thousand cwt.

The total marketed value of the smelt fisheries of the Maritime Provinces in 1933 was \$427,598 as follows:—New Brunswick \$315,000, Nova Scotia \$66,558 and Prince Edward Island \$46,040.

These fish are marketed fresh or frozen, and more than three-quarters of the catch is exported to the United States. Canada is the chief source of supply of this fish to that country. Most of the shipments go forward upon a consignment basis from individual fishermen or from local buyers.

We were advised that a large loss is sustained each year by fishermen and coast buyers owing to the lack of any co-operation in marketing this product. This situation might be largely corrected through recommendations contained in another section of this report.

c. Eels

Eels constitute the most valuable catch of inland Quebec, where during the 1933 season nearly 2,500,000 pounds were taken, with a market value of \$128,000. This represents an increased production over 1929 and 1930, but a drastic decline in exports (from 1,482,000 pounds, worth \$195,000, in 1929, to \$1,089,600 pounds worth \$60,490 in 1933). During the period of 1929 to 1931 the United States was the chief importers of Canadian eels, but in the succeeding two years it yielded first place to Germany. The German market, however, in the past year has been largely lost because of currency restrictions on imports. If some way could be found to overcome these currency difficulties, it is probable that a large market for Canadian eels could be secured in Germany.

7. THE FISHERMEN

a. Conditions of Labour

Fishermen witnesses gave us a vivid portrayal of the onerous and hazardous nature of the work performed by these primary producers. It is difficult to realize that the deep sea fisherman frequently works for 72 hours without sleep and that the shore fisherman is about his tasks long before sun-up until late in the evening. Fisherman's work must be performed under conditions that frequently present continuous physical discomfort and serious danger of loss of life. His is certainly a "front line" occupation.

b. Earnings of Fishermen

Evidence submitted by competent witnesses indicates that the earnings of the average fisherman in the different localities of Eastern Canada for the year 1933 ran from \$75 to \$400, according to the district in which the fisherman worked, and that there would not be more than a ten to fifteen per cent improvement in earnings during 1934.

It has been suggested to us that a number of fishermen have larger incomes than these represented by the evidence. This is understandable since it was made quite clear by those presenting evidence to us that the amounts mentioned represented only the average income, and it follows that there were those who had a higher income than the figures given. But also there would be others who received lower earnings.

Pay off sheets of fishermen operating in the Lunenburg-Shelburne district of Nova Scotia have been submitted in evidence and these exhibits, together with the evidence of the fishermen's representatives indicate that the average earnings in 1933 of fishermen at various points in that district were approximately as follows: Lunenburg, Lockeport, and Shelburne, approximately \$300; Liverpool, approximately \$275. The representative from Digby county, Nova Scotia, stated that the average fisherman in his district made \$300, in 1933, and the witness from Yarmouth county said that the income of his associates at Port Maitland and adjoining district was approximately \$400.

Witnesses from fishing communities in Eastern Nova Scotia stated that earnings of the primary producers in those fields were substantially lower than in the Western sections of the Province. At Canso, they were \$160, at Queensport on Chedabucto Bay, \$200. At Arichat, Petit de Grat, St. Peters and L'Archeveque, all points on the East Coast of Cape Breton Island, the average earnings of producers were not above \$100. At Louisburg, earnings of producers in 1933 were \$175, at North Sydney \$100, and at Glace Bay the income fell as low as \$75.

Witnesses from the Province of New Brunswick stated that in the Miramichi River district in Northumberland County the average earnings in 1933

amounted to \$300. In Gloucester County the income was much lower and was set at \$100. In the vicinity of Chance Harbour in St. John County the income of producers, we were advised, was approximately \$300.

In Charlotte County, New Brunswick, earnings of fishermen of Grand Manan Island were \$350, at Deer Island \$150, and at Campobello Island \$200.

In the Province of Prince Edward Island, the witnesses stated the income of fishermen in the Mount Carmel end of the Island were \$200, and in the district of Souris \$250.

Witnesses from the Gaspé Peninsula of Quebec gave evidence to the effect that in the district of Grand River average earnings during 1933 were \$280, at St. George de Malbaie \$200, and in the vicinity of Carleton, which is stated to be particularly fortunate in regard to salmon fisheries resources, earnings of primary producers were set as high as \$700, for the year.

Earnings of fishermen employed on trawlers averaged \$1,347 from 1929-1933, which included a living allowance of \$5 per week.

We were informed that out of these earnings, the fisherman must try to accomplish the impossible task of providing for his family and himself, and maintaining his fishing gear.

These low earnings are in the vast majority of cases, not due to any lack of industrious application to his work on the part of the fisherman, who works longer hours and endures more hardships than do those in many other occupations. They are the result of unfavourable economic conditions which have reflected themselves in the industry and which for the fisherman are intensified by the fact that on the side of the corporation buyer there is strong bargaining power; on his side complete or almost complete absence of such power. It is in a period of depression and its resultant collapse of business, that the full effect of such a situation as this becomes apparent. The middleman has some protection against the storm. He can in part recoup himself for a drop in volume by maintaining his margin of profit. He often does this, however, at the expense of the first producer, the fisherman, to whom he pays lower prices for his products.

In the face of a shrinking volume of business and corporate concentration in buying, the fisherman is as helpless as one of his own dories in a typhoon; and yet he is adequately and conscientiously discharging his responsibility in the industry, that of catching the fish.

Nor are his demands excessive. Fisherman witnesses who appeared before us were most moderate in their views as to what constituted the income necessary to maintain their homes and replace their fishing gear. Most of the witnesses stated that if they could secure \$600 a year, they would be able to make a decent living. Surely this is not an unreasonable objective, nor is it too much to expect that any reform suggested within the industry should have as its first purpose the establishment of at least this standard of living for the primary producer.

c. Homes and Equipment

In some sections of the Atlantic Sea Coast, fishermen are able to cultivate small plots of land, thereby increasing their earnings. In other districts the fisherman's family is solely dependent upon the sea as the only source of sustenance. In these sections there is little fertility of soil; in some districts not even natural timber to be used as fuel. Many fishermen's homes have been maintained only through small reserves built up in better years, or, more often, through credit and, where that fails—direct relief.

The evidence submitted discloses that many fishermen of the Maritime Provinces and Quebec have, due to low earnings, been unable to maintain their gear and fishing equipment in reasonable repair. In some of the remoter fishing districts a substantial number of former producers are unable to operate at all, due to lack of gear, and in almost all sections many of the fishermen are forced to labour without proper equipment and waterproof clothing.

d. Recommendations of Fishermen

From the fishermen witnesses we received a number of suggestions as to what action the producers believe might be taken to improve their position and to create better conditions within the industry as a whole. Many of these recommendations were submitted to us verbally; others were included in signed petitions, which apparently represented the considered opinion of a large number of producers.

Representatives of the fishermen of Nova Scotia presented to us the following written submission, signed by the witnesses on behalf of their thousands of associates:

To the Royal Commission investigating Mass Buying and Price Spreads.

SIRS,—Based on our personal experience gained in the actual catching and selling of fish and on the unanimous opinions of other fishermen, voiced in assembly and otherwise, we submit that the prices paid to the fishermen for their catches are inadequate to meet the requirements of livelihood and the purchase of equipment necessary to the pursuit of our calling.

It is our contention that the low prices paid us for fish are due largely to prevailing economic conditions and otherwise to unsound trade practices in the distribution and marketing of fish, such as consignment selling and "cut-throat" competition.

We primary producers in the industry are directly affected by the unsound trade practices referred to, but we are powerless in the matter of instituting necessary reforms and without means of redress under the present system. We have no bargaining power, due to the fact that we are not directly in touch with the consumer market and therefore are not in a position to exercise any control over marketing policies or shipments, which frequently are ill regulated or totally unregulated.

In view of the foregoing statements, we recommend that immediate action be taken to improve our position and, as a means to this end, suggest that a Central Board of Control be established to institute measures designed for the elimination of such causes as we have pointed out to be working hardships on us, or such other causes as may be found to be adversely affecting our industry. We further recommend that such body as may be set up give full and careful consideration to the establishment of minimum prices to be paid for the several classes of fish, on the catching of which we depend for a living.

Recommendations submitted by the fishermen of Eastern Canada generally may for the most part be summed up as follows:

- (1) The establishment of some form of a Board of Control through the operations of which it was hoped that a greater degree of co-operation and efficiency might be established in the industry.
- (2) The securing through a Board of Control, or by some other means, more complete information as to export markets.
- (3) The establishment of a fund whereby fishermen now without gear may receive credit to enable them to re-engage in the fishing business.
- (4) To set aside from the public revenues of Canada a sum of money for the advertising in Canada of fish as a food.
- (5) Equalization of freight rates so that fishing districts situated more remotely from the markets may be better enabled to market their product.
- (6) Governmental assistance looking to the further development of the co-operative movement.
- (7) The establishment under legislative authority of a scale of minimum prices to be paid fishermen.

All of these representations, as well as others submitted, have been carefully considered in the light of the evidence and recommendations concerning them appear in another section of this chapter.

8. THE SYSTEM OF DISTRIBUTION

a. General

From evidence received, it does not appear that there is any inherent weakness in the distributing and marketing system as such. The usual, although not exclusive, practice in the industry, is for the fisherman, who must be considered as the primary producer, to sell his catch to local distributing companies or dealers, a number of whom operate at important fishing centres along the Atlantic sea coast. These distributors, where necessary, process the fish and sell it to the wholesale operators either in the Canadian or export markets. The wholesalers relay the product to the retailer, who in turn sells it to the consumer.

In some instances the distributor deals direct with the retailer, but for the most part the system outlined above of producer—to distributor—to wholesaler—to retailer—to consumer, is the accepted practice.

This organization of the industry appears to be basically sound, and while it was represented by several witnesses that the functions of the Atlantic coast distributor and the wholesale dealer could be eliminated, thus doing away with two so-called "middlemen," it does not appear that any advantage to either the producer or the industry as a whole, would arise through a departure from accepted business practice, except where it is feasible for co-operative groups to be formed for the processing and marketing of the product.

However, while the policy of distribution and marketing, as outlined above, may be basically sound, we feel that the concentration of distributors, referred to in a previous section, may well impair its ability to serve the most important element in the industry,—the primary producer.

It is difficult to estimate the effect, if any, of this concentration on prices during recent years, or to untangle this influence from so many others that have affected detrimentally the fisherman. But it does seem clear that any development which emphasizes the weak bargaining power of the primary producer, has within it elements of danger.

b. Distributing Companies

At our request, twenty-nine companies and dealers engaged in the fish business, furnished information relative to their financial structure and operating costs to enable us to determine the degree of soundness of their capital set-up, the manner in which the business operations were carried on and the extent to which the profits of the companies, if any, might have justified the operators in paying a higher price to the primary producers.

A perusal of this information and an analysis of the operations of the companies or dealers fails in most instances to disclose that the firms have made any unreasonable or excessive profit on their business operations in recent years. Some of the companies or dealers have sustained losses, and in the case of several of the larger operators, business has been carried on at the expense of reserves built up during periods when operations were profitable.

We found no evidence of profiteering at the present time in the fishing industry, and there is no doubt that the adverse economic conditions prevailing in recent years in connection with practically all industries have been directly reflected in the financial statements of the companies now under review. This situation, of course, greatly increases the difficulty of adding to the fisherman's income, if all the above companies are to remain in operation.

In so far as the larger firms purchasing fish from the primary producers are concerned, it appears that some of these companies have endeavoured to assist the fishermen and have dealt with the situation in as broad a light as

might be expected. It is undoubtedly true, however, that the companies and dealers have passed on to the individual fisherman by far the greater part of any losses sustained by their operations, and the effects of adverse conditions have been borne by the primary producer to a much greater extent than they have been borne by the companies. This, as we have seen, is inherent in the present set-up of the industry. It should not be forgotten, also, that these same companies did not permit the primary producer to benefit in proportion during periods when operations were more favourable.

Company representatives appearing before and communicating with us, represented that there was no agreement among them as to the prices to be paid the primary producer, but the uniformity of prices offered gives ground for belief that if there is not an agreement, there is at least a price understanding among the dealers. In its effect upon the primary producer, it is immaterial whether this practice of uniform prices is referred to as an "understanding" or as a "combine."

It seems to be the uniform view of the larger distributing companies, that the problems now facing the industry can and will ultimately be solved by these companies, and that it is unnecessary to apply remedial measures at the instance of outside authority. If this is so, and it has been urgently represented that it is, the natural question that arises is why these companies have not already taken steps to remedy the conditions, as they allege they are capable of doing. It appears that they have failed to meet or solve these problems of distribution and marketing, although they have had ample opportunity of doing so. Therefore, it is unlikely that these companies, if given more time, will do what they have already failed to accomplish. It may for that reason be argued that some assistance must be given the industry—some leadership other than that of existing companies must be provided if the problems are to be solved and the position of the industry as a whole, and especially that of the primary producer, improved.

c. Distributing Dealers

Doing business at many points throughout Eastern Canada are a large number of small dealers who purchase fish from the producers, and whose operations have been examined. They are an important part of the distributing phase of the industry. Most of these dealers operate a retail store stocking a wide range of produce. It has appeared that many of them buy from the fishermen in order to create purchasing power to be used in their stores, and in the smaller centres trade between the fishermen and dealer is frequently done upon a barter basis. Many of these stores have extended credit to fishermen over a period of several years and have enabled fishing equipment to be secured. Very few of these dealers have made even a small profit out of the fish handled by them, and a number of instances were found where the local dealer was owed in the aggregate large sums of money by fishermen to whom credit had been extended.

d. Wholesale and Retail Companies

The unsatisfactory condition prevailing in the field occupied by the distributing companies and dealers is paralleled, but to a somewhat less extent, in that phase of the industry that has control of the wholesale and retail marketing of fish.

We examined books of accounting of representative wholesale and retail fish dealers in important centres of the Maritime Provinces, Ontario and Quebec. As was the case with the distributing companies, it does not appear that there is at the present time any profiteering in this phase of the industry, and in some instances it is apparent that the wholesale and retail companies have not only failed to make a reasonable profit, but have sustained losses.

Wholesale and retail operators who appeared before us urged the adoption of reforms whereby greater uniformity might be established in their branches of the fishing industry. They have stated that practices of consignment shipment and unfair competition referred to elsewhere in this report are factors seriously adverse to the wholesale and retail trade. These dealers have also expressed their opinion that more uniform quality of fresh fish shipped from the Atlantic coast would enable them to increase the consumption of these products in the retail markets of Ontario and Quebec.

In the larger retail centres of Montreal and Toronto, a notable development has occurred in recent years in the extension of sales of fish in chain stores. Prior to the advent of chain stores, merchandising in fish was confined to a limited number of well-equipped retail distributing outlets and to what may be termed the "corner grocery." With the adding of fish branches to the chain store, the "corner grocery" outlet has been largely eliminated. It has been represented that this development has adversely affected the adequacy of the system of retailing fresh fish. Also it has been alleged that conditions under which fish is sold in some chain stores, are unsatisfactory, as a result of which the quality of the product is inferior. To a large extent, this seems to arise from the circumstances that chain stores regard merchandising in fish as unimportant. The product is handled by employees who have little knowledge of, and less interest in it.

Criticism was directed at the chain stores by other fish dealers on the ground that fish products were sold in the chains at sacrifice prices, thereby forcing other dealers to lower their prices at the expense of quality. From evidence available, it does not appear that the chain stores sell fish at less than cost. Rather, the lower prices prevailing in these stores are the result of mass buying power and keener buying practices which make it possible for the chains to secure the product from wholesalers or distributors at an average price of one cent a pound less than other retail dealers are required to pay.

The answer that chain stores receive this price preference because of the large volume of purchase is only partly satisfactory because wholesalers are required to deliver small separate orders of fish to each retail chain store and the costs of handling chain store business are therefore as great as if each order was sold to a separate retailer.

9. UNSOUND TRADE PRACTICES

a. Measurement and Cull

Fishermen witnesses advised us that the prevailing practices employed by distributing companies as to the cull and weighing of fish are unfair to the producer in that the system rests solely in the hands of the company and that the fisherman has no control or remedy in the event of the company discharging the cull or weighing in a manner accruing to its own advantage.

When fish is delivered to the company it is culled as to variety and size and quality. It appears that when the cull is taking place the fisherman himself or his representative is usually present. In instances where the dealer is inclined to seek an advantage in this process, it does not appear, however, that the fisherman has any practical redress. For the most part he is forced to accept and abide by the conditions of buying as set down by the company.

Fishermen have taken exception to the basis of culling established insofar as the handling of fish to be marketed fresh is concerned, and have pointed out that, for instance, haddock weighing under two and one-half pounds is paid for as scrod, for which only three-quarters of a cent or less is paid, when two cents a pound is being paid for market haddock. Witnesses expressed the view that this weight measurement for scrod should be reduced to two pounds, as fish

weighing between two and two and one-half pounds is of excellent marketable size. This is borne out by evidence given us by retail dealers, one of whom stated that fish weighing between two and two and one-half pounds is much in demand in the retail trade. It is therefore suggested that consideration should be given to the revising of the present weight basis upon which the cull is carried out by distributing companies.

Information contained in pay-off slips submitted in evidence shows that a relatively large proportion of the catch of schooner fish is consigned to the fish meal plant. There is not sufficient evidence to express an opinion as to whether or not this is fair, but it is another point that should be carefully borne in mind when consideration is being given to the general system of culling—a system which it seems proper to say does not at the present time accrue to the benefit of the fisherman.

After the cull, the fish is weighed in baskets of various sizes. We were advised that the larger and better quality fish are frequently weighed in smaller lots than are the less valuable sizes, and it is suggested that by this process the distributing company gains an advantage of a few pounds on each measure. There would seem to be no sound reason why fish landed should not be weighed in a uniform measure. This is a matter to which the Fisheries Board of Control, later recommended, should give consideration.

b. Unfair Competition and Consignment Shipments

We received a great deal of evidence as to the existence among distributing companies and dealers of unsound trade practices. Most of these fall under the heading of cut-throat competition, along with the kindred practice of consignment selling.

From evidence received it appears that the practice of cut-throat competition was formerly prevalent among the larger distributors, but that in recent months this has, to a considerable extent, been eliminated as a result of an understanding between the companies. It is, however, undoubtedly true that this unsound trade practice continues to exist in the distributing end of the industry, and at the present time emanates principally from the operations of certain small dealers who at particular seasons of the year are responsible for forwarding large quantities of fish to retail markets at prices purposely quoted substantially below those of other dealers or upon a consignment basis. This form of competition brings benefit neither to the distributor nor in the long run to the consumer and is uniformly adverse to the interests of the primary producer.

The practice of consignment shipment appears to be one that is seriously adverse to the interests of the fisherman and of the industry as a whole, inasmuch as it is frequently impossible to market consignment fish upon a satisfactory basis either as to quality or price, and this, in turn, disturbs conditions surrounding the marketing of fish for which firm purchasing orders have been given.

Even larger companies are defenceless in the face of this form of competition, in view of the fact that a low quotation upon even a small quantity of fish can be responsible for a break in the market involving large shipments. This creates a serious market condition, reflecting directly upon the shoulders of the individual fisherman, and the anomalous position is thereby created of the primary producer being forced to bear the ill effects of a situation he has had no part in creating.

These unsound trade practices constitute one of the grave problems which must be dealt with. The position of the primary producer, as well as that of the companies and dealers, will continue to be adversely affected until such time as control is exercised over a phase of the industry which one witness referred to as leading to active disorganization.

c. Inferior Quality and Unsatisfactory Conditions of Handling

Evidence given by wholesale and retail fish dealers operating in Montreal and Toronto indicates that the handling of fish in retail stores in those cities is not uniformly satisfactory. With the exception of certain stores that are adequately equipped to sell fish, conditions in many of the retail outlets are so inferior as to cause a limitation upon the public demand for this product. A majority of those who peddle fish from door to door in trucks or wagons sell fish of an inferior quality and under conditions of handling that would be improper for products of even a less perishable nature.

This condition of inferior quality and unsatisfactory handling on the part of certain dealers works a distinct hardship upon those fish merchants who handle high-grade products under proper conditions.

Conditions existing in the retail markets present one of the reasons for the relatively low per capita consumption of fish in Canada. Any expansion of the Canadian market for fresh fish must depend directly, in the first instance, upon quality, and quality in turn is largely dependent upon satisfactory handling of the product.

It is our view that more suitable conditions must be established in retail outlets as the first step toward enlarging the market for fresh fish.

d. Substitution of Varieties and Quality

We were advised by wholesale and retail fish dealers that there has recently been a definite tendency on the part of some retail dealers to misrepresent not only the quality but the class of the fish retailed. It seems to have been established beyond dispute that cod fillets are frequently sold as haddock fillets, and that in some stores even hake fillets are sold as haddock. Since the fillet is advertised as "fresh fillet," it is doubtful whether there is a direct misrepresentation, but if not there is an implied one. This gives rise to a serious situation due to the marked tendency of companies in recent years to place filleted fish upon the market rather than fish in the round or headless. We were also advised that imported salmon is sold as Gaspe salmon, and that the practice is to dispose of flounder as lemon sole.

It does not appear necessary to set out in detail the causes from which arise this apparently well established and obviously unsound trade practice. Suffice it to say that frequent price-cutting and the disturbing effect upon retail markets of consignment shipments appear to be among the causes of inferior quality of fish and misrepresentation as to varieties.

Possibly one remedy for these difficulties would be proper regulation of retail outlets. This should not only increase the consumption of fish, but should protect the reliable and well equipped dealer against unfair competition from those other dealers who in the past have done a great deal to limit and injure the market for fresh fish. To attain this it might be worth while for the proper authorities carefully to consider the practicability of establishing a system of licensing of retail outlets for fish in domestic markets.

Elimination of the unsound practices now prevailing should mean a larger financial return to the fisherman, more satisfactory business conditions for the dealer and a better quality of fish for the consumer.

10. PRICE SPREADS

a. Introductory

We received complete and comprehensive information regarding price spreads in the fishing industry. This evidence was contained in questionnaires completed by various companies and filed with the Commission, in the reports of the Investigator and in evidence presented by witnesses.

The following table indicates the spread in prices between the producer and the consumer for cod and haddock fillets and cod and haddock steak shipped

to the Montreal and Toronto retail markets by the Nova Scotia distributing companies during the first week of October, 1934:

	Price paid by distributor	Price to Wholesaler F.O.B. distributor plant	Wholesaler's price to retailer	Retailer's price to consumer
	(cts. per lb. processed fish)			
October, 1934				
<i>Montreal—</i>				
Cod Fillets.....	3.26	10	13	18
Haddock Fillets.....	5.21	12	16	20-22
Cod Steak.....	1½	5	8½	15
Haddock (Headless).....	2.44	5½	7½	10-11
<i>Toronto—</i>				
Cod Fillets.....	3.26	10	13	19
Haddock Fillets.....	5.21	12	16	22
Cod Steak.....	1½	5	8½	15
Haddock (Headless).....	2.44	5½	8½	12

The column indicating the price paid fishermen is based upon 38.4 per cent recovery per pound in the case of fillets and 82 per cent recovery per pound in the base of headless haddock. During the period under review the distributing companies were paying fishermen 2 cents per pound for large haddock and 1¼ to 1½ cents for cod, and the figures in the first column are based upon these prices.

b. Distributing Spreads

Upon purchasing fish from the fishermen, the distributing company must bear the expense of culling, weighing, washing, packing, icing, and in the case of fillets, the processing, and expenses incidental to the large percentage of waste and shrinkage. At the same time it makes a profit from the offal and by-products.

From the above table it appears that having paid the fishermen the equivalent of 5.21 cents for the amount of fish necessary to produce a pound of haddock fillets, the distributing company sold this pound for 12 cents f.o.b its plant.

The auditor's analysis of a company's costs of processing, icing, boxing, etc., indicates that the charges applicable to the handling of a pound of fillets amounted to 5.68 cents per pound or a total cost to the distributing company of 10.87 cents. Therefore it appears that the company's spread or profit upon a pound of haddock fillets was 1.13 cents.

The records of the companies disclosed, however, that in certain periods of the year fresh fish is handled at a loss. An analysis of the average spread or profit made on haddock fillets shipped to the Toronto market by one company shows that during the period May first 1933 to April first 1934 the average profit per pound was .82 cents, or a substantially lower average for the year than the profit indicated during the month of October.

As the profit or spread per pound on different varieties of fish fluctuates from month to month the spread is more correctly reflected by the following average profit per pound on haddock sold by three companies to wholesalers in Montreal and Toronto during the period May first 1933 to April thirtieth 1934:

	Haddock fillets Montreal	Haddock fillets Toronto	Haddock round Montreal	Haddock round Toronto
	c.	c.	c.	c.
Company 1.....	.64	.82	.82	.40
Company 2.....	.24	.17	.35	.61
Company 3.....	.51	.39	.87	1.3

Since none of the distributing companies sells all of its fish in the fresh state and not infrequently incurs losses upon dried and cured fish, the net spread or profit arising from the company's operations is more correctly reflected by the following analysis based upon the net profits or losses made per pound on all fish handled, whether sold in the fresh state or otherwise, by the three largest distributing companies in Nova Scotia.

The first Company, Lunenburg Sea Products, Ltd., during 1933 bought 10,000,000 pounds of fish and paid the fishermen an average of 1.588 cents per pound. Average processing cost per pound of this company was .759 cents, and the cost per pound for fixed charges, administration, etc., was .648 cents, a total cost per pound of fish sold at 2.995 cents. The average selling price per pound was 3.142 cents, which meant a net spread or profit to the Company of .147 cents per pound on all fish handled. The net profit per pound on all fish handled by this company in 1932 was .124 cents, in 1931 the net spread was .279 cents, in 1930 it was .221 cents and in 1929 the profit was .133 cents for each pound of fish handled.

The Lockeport Co., Ltd., during 1933 purchased from fishermen slightly over nine million pounds of fish, and paid the producer an average of 1.32 cents. Processing costs were .6 cents a pound, depreciation, interest and administration .74 cents a pound. Total production costs amounted to 2.66 cents per pound. Average selling price per pound was 2.67 cents, which meant a net spread or profit of .01 cent per pound on all fish handled. This company had a net profit in 1932 of .12 cents a pound on all fish handled, in 1931 a loss of .01 cents a pound was incurred, in 1930 there was a profit of .17 cents and in 1929 a loss of .04 cents.

The Maritime National Fish Co., Ltd., in 1933 handled over 28,000,000 pounds of edible fish. The first cost of this fish was 1.5 cents per pound. Processing, icing, and handling costs averaged 1.14 cents a pound and depreciation, interest and administration amounted to .77 cents a pound, a total average cost per pound of 3.41 cents. The average selling price per pound was 2.99 cents and the company therefore sustained a loss of .42 cents per pound on all edible fish handled. In 1932 a loss of .31 cents a pound was incurred by this company and in 1931 there was a loss of .28 cents. In 1930 the company handled 40,000,000 pounds of fish and had a profit of .13 cents per pound, but in 1929 lost .03 cents a pound on 53,000,000 pounds handled in that year.

The following table summarizes the net profit or loss in cents per pound on all fish handled by these distributing companies. Figures are for the five-year period 1929 to 1933. Losses are in italics:

	Maritime National Co.	Lunenburg Sea Products	The Lockeport Co.
1929.....	.03	.133	.04
1930.....	.13	.221	.17
1931.....	.28	.279	.01
1932.....	.31	.124	.12
1933.....	.42	.147	.01

There was no evidence of unreasonable profits at the present time on the part of distributing companies operating on the Atlantic sea coast, though in some instances it has appeared that the processing and administrative costs incurred are excessive. The margin of profit per pound, where a profit has been made, appears to have been reasonable, and in a number of instances substantial losses have been sustained.

c. Wholesale Spreads

From the table on page 192 showing price spreads between the producer and consumer it appears that between the price paid by the wholesaler to the distributor and the price charged by the wholesaler to the retail fish dealer there is a spread of approximately three cents a pound on cod fillets, four cents on haddock fillets, three and one-half cents on cod steak and three cents on headless haddock. Out of this spread, however, must come the cost of transporting the fish from the Atlantic coast to the wholesaler's plant, and also such expenses as are incurred by the wholesale dealer in handling, selling and delivery of the product, as well as administrative expenses.

The operations of leading wholesale fish companies have been carefully inquired into, and while in previous years substantial profits have been made, it appears that latterly any profits made have been reasonable, and in some instances losses have been incurred.

The average mark-up over cost on fish sold in 1933 by wholesale companies in Montreal was 26 per cent. Out of the gross profit thereby accruing the companies had to provide for delivery costs and the costs of handling and administration. The average mark-up over cost on fish sold in 1933 by wholesalers in Toronto was 27 per cent.

The following analysis of the operations of one of the largest companies has been found to be representative of other wholesale operators,—

This company sold 3,800,000 pounds of fish during the year ending December 31, 1933. Total value of sales was \$415,000, or an average selling price per pound of 10·92 cents. The average purchase cost per pound of this fish, which in addition to the amount paid the distributing company also included freight, ice and storage, etc., amounted to 8·47 cents a pound. Handling and selling expenses amounted to ·89 cents a pound, delivery expenses ·31 cents and administration expenses 1·06 cents, making a total selling expense of 2·26 cents, and a total cost of sales of 10·73 cents per pound. The average selling price was 10·92 cents per pound and the company therefore had a net profit per pound on all fish handled, of ·19 cents. This same company in 1932 had a net profit on all fish handled of ·22 cents, in 1931 a profit of ·37 cents, in 1930 a profit of ·47 cents and in 1929 a profit of ·33 cents per pound on all fish handled.

It would appear therefore, that the spread or profit represented by the above outlined operations of a representative wholesale fish company cannot be considered as excessive.

d. Retail Spreads

The general table on price spreads appearing on page 192 indicates that between the cost and selling price of the retailer there was a spread of 6 cents per pound on cod fillets, 6 cents on haddock fillets, 6½ cents on cod steak and 3½ cents on headless haddock.

It was represented by retail fish dealers that a substantial spread must exist between wholesale and retail prices in order to provide for the large expenses incurred in the retail handling of fish products. It was pointed out that shrinkage and waste in the fish must be provided for and that delivery expenses, especially in the larger centres, are very heavy. It was also represented by retail dealers that fish is sold to consumers principally during one or two days each week, while the entire store overhead and delivery facilities, in some cases, must be maintained throughout the whole week.

The average mark-up over wholesale cost on fish handled during 1933 in retail stores investigated in Montreal was 54·6 per cent—the average mark-up in retail stores investigated in Toronto was 55·5 per cent.

The following analysis of the operations of a leading fish store may be considered as representative of other retail dealers. This store retailed during 1933 approximately 1,900,000 pounds of fish, for which it paid an average price of 9·48 cents a pound. The selling costs, including salaries of employees, overhead

and administration, amounted to an average of 4.33 cents a pound, shrinkage and waste amounted to 1.26 cents a pound and delivery .43 cents a pound, making a total cost of handling of 6.02 cents, or a total cost of sales of 15.50 cents per pound.

Sales of the company averaged a return of 15.71 cents per pound, thereby providing a net profit on all fish handled of .21 cents per pound. During 1932 this same company retailed over 2,000,000 pounds of fish and had a net profit of .44 cents per pound.

The delivery costs of this retail store were relatively low, as much of the trade was over the counter. Delivery costs of other retailers were set at approximately .75 cents per pound. On the other hand, waste and shrinkage in this store seem to be higher than in others and the net operations are therefore representative of other retail dealers.

It does not appear that the spread between the wholesale and retail price for fish is excessive or unreasonable, having regard to the nature of the product handled.

e. Conclusions

A careful perusal of numerous charts and statements prepared on the subject of price spreads in various phases of the fishing industry, indicates that the spread between the price received by the fishermen, by the distributor, by the wholesaler and the price paid by the consumer, while in places large, is not exorbitant *having regard to the conditions* that prevail in this industry.

It does appear, however, that the present lack of reasonable co-ordination in the distributing and marketing phases of the fresh fish industry, and to a somewhat less extent in the handling of cured fish, has resulted in a loss to various operators, that had it not been sustained, would thereby have provided a larger financial return from the volume of product marketed without increasing to any unfair or unacceptable degree the cost to the consumer.

Without accusing anyone of making exorbitantly high profits in the industry, there is reason to believe that in the present spread in prices between the producer and consumer there exists a basis for more profitable return to the former. Especially do we feel that every effort should be made to narrow the spread between the distributor's price to the fisherman and his price to the wholesaler. In view of the large quantity of fish handled this spread seems high. Possibly some reduction could be made in items such as administrative costs, which seem to make up an unduly high proportion of the total cost. It may be, however, that no worth-while saving can be made until the loss now being sustained in disorderly marketing is eliminated.

11. GENERAL.

a. Transportation of Fish.

We were advised that the railway freight and express rates on fish are considered on the whole fair and reasonable, and that the railway facilities for handling the product are in general satisfactory.

It has been represented, however, that the differential between freight and express rates from different points of shipment on the Atlantic Coast places at a serious disadvantage those fishing communities that are more remote from transportation centres. Uniform zone rates should be established, as this would bring material assistance to communities that are not now served by large distributing companies, and they would thereby be enabled to more satisfactorily market their product.

Several witnesses appearing before us expressed a difference of opinion as to the relative merits of shipments of fresh fish by express and by freight. It appears to be true that in some instances shipments in carload lots by freight, on account of being undisturbed in transit, arrive on the market in as good, if not better condition than small shipments by express. It was submitted by some

of the companies engaged in the industry that express rates upon fish should be lower, and that an effort be made to consolidate these shipments at a central point into carload lots with a view to eliminating the handling and disturbance of the fish en route.

On the whole, however, adequate facilities are available for the handling of fish both by express and by freight. Further, the various steamship services subsidized by the Government have enabled, or should enable, the shippers to advantageously transport their products to the markets.

b. Inspection of Fisheries Products.

Considerable evidence was presented as to what witnesses termed "lack of adequate inspection and grading of fisheries products." It appeared, however, that several of the witnesses were not fully informed in this regard as to the regulations and provisions of the Department of Fisheries.

Adequate inspection should apply to all fish, whether for domestic or export consumption, and such inspection should be made compulsory.

c. Steam Trawlers.

We received many representations as to the operation of steam trawlers. This subject was exhaustively dealt with by the Royal Commission of 1927, and as a result of the report of that Commission, trawler operations were restricted to three vessels, all operating out of Halifax. It was stated that in practice this means the continuous operation of two trawlers, since one of the three is usually undergoing repairs.

It was represented by the fishermen that the operation of trawlers even in this limited manner has adversely affected the markets available to individual producers. On the other hand, officials of the company operating the trawlers advised us that their company was willing to purchase all the fish brought to their wharf by schooners, but that trawler operations, in so far as their company was concerned, were necessary to provide continuity of supply to all distributing points.

This argument that the trawlers are necessary to provide continuity of supply, has been advanced on previous occasions, and before other Commissions investigating the fishing industry. It has, indeed, been the heart of the case in favour of the trawler. We feel, however, that the new type of fishing vessel known as the Lunenburg Auxiliary Schooner, the development of which has recently been so successful, offers all the advantages of continuity of supply possessed by the trawler and at the same time utilizes more fishing labour, a point which we consider of great importance. We feel, therefore, that under present conditions, trawler operations should be gradually discontinued by government prohibition.

d. The Co-operative Movement.

Following the withdrawal from Eastern Nova Scotia of the larger distributing companies, there has been organized a movement which offers promise of becoming a helpful factor in improving the position of the fishermen and in solving several of the problems facing the industry.

The co-operative movement, which relatively new, has made progress, more especially in the lobster fishing branch of the industry, and the United Maritime Fishermen's Federation now has a membership of approximately 2,000, with branches at points throughout Nova Scotia and New Brunswick. We were advised that, in the first instance the co-operatives confined their activities to problems of production, but that more recently the aims of the organizations have been extended to include marketing plans and policies.

This co-operative movement has enabled the fishermen in some districts to purchase necessary supplies to greater advantage, and in several communities has been associated with the establishment of Credit Unions.

It appears that there are a number of fishing communities, particularly in Eastern Nova Scotia, that will not in the future be served by large distributing companies. In these communities, removed as they are from direct transportation routes, the development of co-operative marketing holds hope for a more profitable pursuit of the fishing industry.

The further development of the co-operative movement may well bring benefit to the fishermen operating in the districts served, and this development should be given every encouragement.

12. THE BASIC PROBLEMS

It has been established by evidence submitted and by the investigation of a previous Royal Commission that grave problems confront the fishing industry of Eastern Canada.

The difficulties and disabilities are so many, so varied and so intricate that their complete removal cannot be contemplated as immediately following any recommendation of any one Commission. Nevertheless many disadvantages can be removed and a more adequate return to the fisherman and greater prosperity for the industry as a whole can be attained. Not by any one remedy but by several remedies, proceeded with upon a conservative basis so that part of the industry's organization which appears to be sound will not be disturbed by unnecessarily drastic changes in those fields in which reform is necessary.

The concrete problems arising out of the evidence submitted and presenting themselves for solution can be concisely stated as follows:—

- (a) How to eliminate unsound and uneconomic trade practices and to establish uniformity, co-ordination and more efficiency in the distributing and marketing phase of the industry.
- (b) How to extend and strengthen domestic and export markets for Canadian fish.
- (c) How to increase the earnings of the individual fisherman.
- (d) How to make some provision for limited credits for fishermen to purchase gear, whereby those now without necessary equipment can become re-engaged in the industry.

If these problems can, if only in part, be solved, Canada's Atlantic fishing industry should hold even more securely its place as one of the Dominion's most valuable natural assets.

13. RECOMMENDATIONS

a. Introductory

Co-ordination and efficiency in all branches is vitally necessary if there is to be progress in the fishing industry. Any departure from sound trade practices or any other defect in either the production, distribution or marketing phases of the industry is immediately reflected to the disadvantage of the industry as a whole and to the detriment of all those engaged in the fisheries.

The dealers are dependent upon the fishermen for a satisfactory quality of produce in sufficient quantity to assure a uniform supply of fish for the markets and the fishermen, in turn, are dependent upon the dealers effectively to distribute and market their catch. If either the fishermen, the distributors, the transportation companies, the wholesalers or the retailers fail efficiently to perform their part, the whole industry and all those engaged in it suffer.

It is not unfair to any of the interests involved to say that there has not been a sufficient degree of this co-ordination and efficiency in the fishing industry in the past, nor is there any reason to anticipate its genesis in the future unless provision is made through regulations bearing legislative authority.

As set out earlier in this report, the principal disabilities of the industry are not those of production. On the contrary, they are those of distribution and

marketing, and if conditions here continue as they are now, there is little likelihood of profitable returns to those engaged in the industry. On the other hand, if the necessary co-ordination and efficiency is established financial benefit should accrue to both the fishermen and the dealers while the consumer will also benefit in the form of a better product.

The fishing industry from its nature is essentially one in which individual initiative should be given as large a scope as possible. It appears, however, that if such initiative is not satisfactorily providing the means whereby the serious problems confronting the industry can be solved, then some practical form of social direction and control is desirable. The object of such control would not be to destroy individualism in the industry, but to give the individuals the benefit and assistance of intelligent advice and direction.

Authority and responsibility for this direction should be placed in the hands of men actively engaged in the industry and should be exercised in such a manner as to leave in so far as possible the detailed working of the industry to those who have had practical experience.

It would be useless to attempt to place upon the shoulders of any Government Department any large share of responsibility for establishing the necessary conditions of efficiency referred to, and for finding the solutions to the various problems outlined. The day-to-day direction of the industry must be left in the hands of those engaged in it, but government might well intervene to see that this direction is in the best interests of all, and not merely of any particular group or groups.

b. Fisheries Control Board

We feel that the request for such intervention should come from the fishing industry itself. The Natural Products Marketing Act, 1934, provides the necessary legislative machinery, under which the various phases of the industry can organize for the purpose of co-operative marketing. Precedents for the inclusion of processors, as well as producers in the operation of any such marketing scheme, already exist and we would therefore strongly urge that steps be taken by the industry itself to organize for the purpose of remedying some of the evils disclosed above.

If the producers and distributors refuse to take advantage of this opportunity to promote orderly marketing and co-operative effort, it may be necessary for the government itself to initiate action toward the desired end, under Section 9 of the Natural Products Marketing Act. A refusal, for instance, of the distributing branches of the industry to co-operate with the producers in a voluntary scheme might well justify the utilization of Section 9.

We do not intend to make detailed recommendations as to the form and powers of any marketing organization for the fishing industry. That should be done by the industry itself or by the Federal Marketing Board if the industry cannot agree on any proposals.

We desire, however, to make certain suggestions which may be of some value. We feel, in the first place, that there should be one unifying and co-ordinating central board of control for the fishing industry of the Maritime Provinces which should be given wide powers over matters affecting all branches of the fishing industry, including particularly matters pertaining to processing, transportation, distribution and marketing of the catch.

This Board might be known as the "Fisheries Control Board" and should be restricted only by the terms and provisions of the Marketing Act. The proposed Board should not in the first instance attempt to institute revolutionary reforms, as affecting various branches of the industry, but should proceed through successive steps to eliminate, in logical order, the more pressing disabilities. Its most important duty would be to make every possible effort to ensure that the fisherman secure a fair price for his fish and not, as at present, the pittance that

is left over from the consumer's dollar after all other branches of the industry have received their share. The Board might next approach the problem arising from conditions in domestic retail markets.

Through successive steps the Board might then proceed to action in connection with disabilities of the industry in something approaching the following order:

- (1) The elimination of misrepresentation of varieties and grades of fish as now prevailing in the retail markets in Canada.
- (2) The establishment of a higher standard of quality of fish marketed in Canada by regulating the conditions under which fish, and especially fresh fish, may be handled.
- (3) The establishment of adequate inspection of grades as affecting products for the Canadian and export markets.
- (4) The elimination of consignment shipments.
- (5) The elimination of cut-throat competition and other unsound trade practices.
- (6) The direction of surplus production of fish through channels calculated to bring the most profitable financial return.
- (7) A thorough survey of conditions surrounding, as well as the disabilities retarding development of existing and potential export markets.

It is not contemplated that all of these steps could or should be taken at one time, but that each successive step may be proceeded with in the light of experience gained through previous action taken.

In instituting reforms and in seeking to establish uniformity, co-ordination and efficiency in the industry, the Fisheries Control Board might, where necessary, exercise administrative authority through a system of licensing.

c. Local Advisory Committees

To assist the Fisheries Control Board, there should be appointed local advisory committees. The duties of these local committees would be in advising the central Board upon problems affecting the particular branches of the industry in connection with which they have been appointed. There should be at least five advisory committees as follows:

- (1) On Fresh Fish.
- (2) On Dried and Cured Fish.
- (3) On the Herring Fisheries.
- (4) On the Pickled Fish Industry.
- (5) On Lobsters, Salmon, etc.

The appointment is suggested of one secretary who would act in that capacity for each of the advisory committees and whose duty it would be to act as a contact official between the Fisheries Control Board and the local committees, and to convey communications from the committees to the Board, and also provide a point of contact between the various local committees.

d. Credits for Fishermen

Much evidence has been received on the present deplorable condition of the fishermen of the Maritime Provinces, and the extent to which many of these fishermen are at present unable to re-engage in the industry due to lack of boats and fishing gear.

It is therefore suggested that the Government of Canada should give early and favourable consideration to the establishment of a limited fund through which deserving primary producers now without fishing gear may be granted credit so that they may again become producers in this industry.

The details of administering such a fund, if it is established, could logically be left to local committees, the members of which would have thorough knowledge of local conditions.

CHAPTER VII

DISTRIBUTION

1. INTRODUCTION

It is proposed in this chapter to review the system of distribution of consumer goods in Canada, with particular regard to the more specific terms of the Order of Reference. The terms of this Reference commanded an inquiry into "the system of distribution in Canada of farm and other natural products as well as manufactured products" and a more specific clause directed an investigation of "the effect of mass buying by department and chain store organizations upon the regular retail trade of the country, as well as upon the business of manufacturers and producers."

The term "distribution" means much more than the physical conveyance of merchandise from the producer or manufacturer to the consumer. Having regard to the highly specialized functional divisions in almost every industry, distribution includes all the activities and functions having to do with the movement of consumer goods from the hands of the producer. It might be defined as "the sum of the processes by which, when produced, commodities are distributed." It must, therefore, include such matters as packaging, labelling, containers, advertising, wholesale and retail selling, service, and guarantees.

In order to view in proper perspective the various agencies in the present system, some discussion becomes necessary of the growth of large-scale retailing organizations which, in Canada, as elsewhere has been the outstanding development in the distributive system in the past twenty years. The commanding position attained by a few huge corporate enterprises in the retail trade of the country has had a profound effect upon all the agencies in the system, and particularly upon the producer, the wholesaler, and the smaller retailer.

Our inquiries have, in consequence, been particularly directed to the part played by the largest organizations in the retail field and we have conducted, through our accountants and investigators, an exhaustive examination of the great department and chain stores operating in Canada to-day. The effect of mass buying on the wage earner has been discussed in a previous chapter. This chapter discusses more particularly merchandising practices, habits, and customs, and endeavours to assess the effect of mass buying on producers, competitors, and on the public welfare.

At the outset of our inquiry witnesses appeared on behalf of manufacturers' and retailers' organizations who testified as to the injurious effects of certain practices of mass buyers and, while a general answer to these charges was offered by chain stores, there was no contradiction or reply from department stores. The evidence before us, however, leaves no room for doubt that the growth of the mass buyer has had an adverse effect upon the fortunes of the wholesaler, the smaller retailer and, in certain cases, the producer. It is important therefore, to determine, if possible, to what degree the large, extended retailing organization of the present day operates in the public interest.

2. THE DEVELOPMENT OF LARGE-SCALE MERCHANDISING AND ITS PLACE IN THE STRUCTURE OF RETAIL DISTRIBUTION

1. DEVELOPMENT.

The revolutionary development of large-scale merchandising in Canada since the beginning of the century parallels the concentration in industrial production, which, in this country, commenced only a few years earlier. The

system in 1900, whereby commodities moved from producer to consumer via the wholesaler and a retail net-work of thousands of small merchants, has given way to the complex system of the present day, in which the wholesaler plays a relatively minor part and the independent retailer is dwarfed by those huge corporate enterprises, department and chain stores, which in 1930 transacted 31.1 per cent of the total retail trade of the country.

Up to the beginning of the World War, this development had been gradual. The modern chain store had not yet made its appearance in Canada and the principal changes centred around the weakening of the position of the wholesaler, through the increasing tendency of the manufacturer to sell direct to the retail merchant. During this period, the department store, while largely responsible for the changing merchandising methods of the manufacturers, enjoyed a sober and wholesale growth, laying, as it turned out, the foundation for the huge structure which developed after the War. It was during these years that the mail order business made its appearance, the almost exclusive concentration of which in department stores has, to some extent, accounted for the dominant position attained by the two largest of such stores.

In the years following the War, however, the trend to mass merchandising developed at a much faster rate. The largest department and chain stores attained proportions comparable to the large industrial producers; and, just as the development of large-scale production had brought injury and sometimes injustice to the small producer, so large-scale merchandising brought injury and sometimes injustice to the small retailer.

A number of factors contributed to the rapidity of those developments from 1920 to 1929. Improvements in transportation and communication had an important bearing on the buying habits of the public, and urban establishments benefited materially therefrom. In addition to this a rapid urbanization of the population took place; from 1921 to 1931 the total population of the country increased 18 per cent, whereas the urban population increased 28 per cent, and the population of four metropolitan areas 38 per cent. In the same period the physical volume of production increased by more than one-half. This concentration of population, accompanied by a rising standard of living, afforded opportunities for expansion in the retail field which were utilized most effectively by the larger organizations.

The first post-War depression in 1921 and 1922 had resulted in a heavy mortality among retail and wholesale firms. From a total of 771 in 1920, commercial failures among these merchants rose to 1,739 in 1931, 2,717 in 1922 and 2,319 in 1923. The established department and chain store organizations, however, while suffering reverses at this time, were, by reason of their financial resources able to survive, and even to strengthen their competitive position. The succeeding eight years witnessed a growth far more rapid than that in any former period of their history, equivalent in sales volume in the three largest department store organizations to approximately 80 per cent. Similar chain stores, operating up to 1925 on a relatively small scale, expanded at a very rapid rate up to 1930. The 13,287 units operating in that year represented 10.6 per cent of the total of all stores in Canada.

The unwarranted expansion policy of the management of department stores during this period was due partly to unbounded optimism over the future of such organizations, and partly to competition from, and desire to secure the advantages of, the chain store system of distribution. Costly new premises were erected; both selling and servicing branches were subjected to specialized functional development; and in some cases over-optimistic and unsound financial promotion was undertaken.

2. RETAIL MERCHANDISING AND THE DEPRESSION.

The beginning of the depression, therefore, found the retail field dominated by a few large organizations expanded to a point where they competed directly

with the independent retailer throughout the whole of the country. In the succeeding years, by reason of their financial resources, and other advantages peculiar to large-scale merchandising, the large-scale organizations have been able to weather the storm. As in the 1921 depression, however, commercial failures removed large numbers of independent retailers from the field.

As long as business was on the upswing, the expansion of department and chain stores, while increasing the severity of competition in the retail field, did not render precarious the position of the independent retailer. In fact, as the majority of retail stores have always been short-lived, the establishment of units of chain stores or the growth of department stores might merely supplant independent stores which would have failed in any event. Almost half the independent grocery stores in Canada, according to the results of the Census of Merchandising, had been under the same ownership for less than six years. In greater or less degree, the same is true of other lines of retail trade and has been for decades. But the contraction of business in 1930, accompanied by a rapid fall in prices, has intensified the struggle for survival on the part of small distributors.

In the depression of 1921 the bulk of the trade was in the hands of independents, and the adjustments were made largely through the disappearance of the weaker units. The competitive position of the surviving businesses was, roughly unchanged. In the recent period, however, as department and chain stores occupy a much larger share of the retail field than before, the adjustments required by the contraction in trade and the decline in consumers' incomes cannot be made as easily as when small enterprises were dominant. Whereas, in the preceding period, each merchant would tend to adapt his methods to the changed conditions at about the same pace as his competitors, in the present situation the large-scale distributors have changed their competitive practices so rapidly that the independent merchant finds it difficult, often impossible, to follow in time to prevent a weakening in his competitive position.

3. THE POSITION OF THE LARGE-SCALE DISTRIBUTOR.

The growth of large-scale merchandising having been outlined, it may be useful to indicate its place in the general structure of retail trade.

In 1930, the last year for which complete figures for retail merchandising are available there were approximately 125,000 retail merchandising establishments in Canada, with sales amounting to \$2,755,600,000. These establishments employed 275,200 persons who received a total \$257,600,000 in salaries and wages. In addition to hired employees, there were 125,000 proprietors or firm members actively engaged in retailing.

A classification of the retail stores according to type showed that in the year 1930 independent stores (exclusive of department stores) did 68.9 per cent of the total business; chain stores (exclusive of department stores) did 18.8 per cent of the business; and department store sales formed 12.8 per cent of the total. Thus, chain and department stores together accounted for 31.1 per cent of the total sales.

The variations in the average for the several provinces are also significant, combined sales of department and chain stores representing 25.0 per cent of the total in the Maritime Provinces, 26.7 per cent in Quebec, 33.0 per cent in Ontario, 32.5 per cent in the Prairie Provinces, 35.3 per cent in British Columbia, and 64.9 per cent in the Yukon and Northwest territories.

In the United States, according to the Census of Distribution for 1929, the sales of chain stores (exclusive of department stores) were 19.7 per cent of the total, and sales of department stores and mail order houses, 8.9 per cent. The relative proportions of combined sales of department and chain stores to total retail business were, therefore, 31.1 per cent in Canada and 28.6 per cent in the United States.¹

(1) For relative proportion of chain store sales for selected kinds of business in Canada and the United States, see Annex VI, Table 123.

Available information suggests that since 1930 chain and department stores as a whole have not increased their proportions of the total trade by more than two or three per cent. In the United States, according to the recent Census of American Business, department stores in 1933 had 10·2 per cent of the total retail trade compared with 8·9 per cent in 1929. The Dominion Bureau of Statistics estimates that sales of department stores in Canada in 1933 were 13·6 per cent of the total, compared with 12·8 per cent in 1930. The following table gives official figures and estimates:—

PROPORTION OF TOTAL RETAIL MERCHANDISE TRADE HANDLED BY
DEPARTMENT STORES, CANADA, 1930-1933²

	Total Net Sales			
	Actual		Estimated	
	1930 ¹	1931	1932	1933
	\$	\$	\$	\$
All Stores, total.....	2,755,569,900	2,235,732,000	1,917,219,000	1,776,884,000
Department Stores.....	355,258,600	312,739,000	253,832,000	241,665,000
Percentage of total.....	12.9%	13.4%	13.2%	13.6%

¹Revised figures of Dominion Bureau of Statistics.

²The Dominion Bureau of Statistics.

In certain fields of trade, chain stores have materially increased their share of the business, but in other lines they have lost ground. Among the fields for which both American and Canadian figures indicate an increasing share for chain stores are groceries and meats, shoes and drugs. In the United States, grocery and combination stores handled 38·5 per cent of the trade in their field in 1929 and 44·2 per cent in 1933; for Canada the figures are 29·5 per cent in 1930 and 33·2 per cent in 1933. Both women's apparel chains and men's clothing chains, however, are thought to have lost ground in Canada and the figures for chains in the United States show that in these fields the position in 1933 was relatively unchanged from 1929.

There is a further factor which should be taken into consideration, namely, the tendency of retail trade to concentrate in urban centres where an increasing proportion of trade falls to the mass merchandiser. This is revealed by a classification of retail stores according to size of locality. This concentration appears due not only to the increasing urbanization of the population, but also to improvements in communications and transportation, which greatly extend the market area of the more favourably situated localities. For Canada as a whole, 54·6 per cent of the 1930 sales were made by stores located in cities of 30,000 population or more, although only 29·2 per cent of the population resided in such centres. Of this 54·6 per cent, nearly half was accounted for by the sales of chain and department stores, though this figure is far above their proportion of all retail sales, 31·1 per cent.

There remains one other phase to be examined; that is the concentration of business in large stores of all types and the relatively small proportion of the total trade that is handled by the small stores which form, by far, the greater part of the total number. In 1930, stores with annual sales of less than \$5,000 formed 38·4 per cent of the total number but did only 3·6 per cent of the business. All stores with less than \$10,000 sales per annum constituted 56·6 per cent of the total number, but their share of the total business was only 9·5 per cent. That is to say, more than half of the retail stores in the Dominion had less than 10 per cent of all sales, and 90 per cent of the sales were handled by the remaining 43·4 per cent of the stores. Stores with sales of \$100,000 or over comprised 2·7 per cent of the total and transacted 39·3 per cent of the total business.

In the United States, stores with sales of less than \$10,000 per annum formed 43·7 per cent of the total number and accounted for 5·7 per cent of the sales. Stores with sales of \$100,000 or more constituted 5·0 per cent of the total number in the United States and had 45·2 per cent of the sales.

The classification "Stores with Sales of \$1,000,000 or over" is the largest used. There were 85 stores in this group in Canada, or 0·7 per cent of the total, with sales amounting to 14·2 per cent of the Dominion total. In the United States, such stores were 0·14 per cent of the total number and had 12·3 per cent of the sales. It will thus be seen that a greater proportion of the total sales is handled by both the largest stores and the smallest stores in Canada than in the United States.

4. POSITION OF THE WHOLESALER.

One important result of this development of large scale merchandising has been the virtual disappearance of the wholesale merchants in many lines, and the establishment of direct contacts between manufacturer and retailer. The disappearance of the independent wholesale merchant does not mean that the functions formerly performed by him are rendered unnecessary. To some extent, they are taken over by the retailer, particularly through the warehousing and distributive facilities of chain and department stores, but, probably to a much greater extent, the wholesaler has been replaced by the marketing organization of the manufacturer.

A statistical analysis by the Bureau of Statistics, of the manner in which the products of some of the leading manufacturers of consumers' goods was distributed in 1930, shows interesting results.¹

In food industries, the wholesale merchant still occupies an important place in the distributive system, although direct sales to retailers form a considerable part of the total in some lines. For the most part, such sales represent purchases by large-scale enterprises. In the clothing industries, the wholesale merchant has practically disappeared and independent, chain, and department stores buy directly from the manufacturer. The figures for the furniture industry reveal the same conditions.

In the hardware and electrical industries the wholesaler still handles a substantial proportion of the business, but in the latter industry manufacturers' wholesale branches are almost as important as independent wholesale merchants. The industries producing medicinal and pharmaceutical preparations made a greater proportion of their sales direct to retail establishments than to their own wholesale branches and wholesale merchants combined.

This development of extensive marketing organizations by manufacturers and the consequent increase in direct selling to retailers increases rather than solves the difficulty of determining the efficiency of various channels of distribution, owing to the failure to find a satisfactory method of allocating overhead and other joint charges between production and selling costs.

With the general structure of retail distribution outlined and the place of the large-scale distributor in that structure indicated, we may now discuss the two types of mass merchandising on which we received evidence, department stores and chain stores.

3. THE DEPARTMENT STORE

1. GROWTH AND DEVELOPMENT.

Our investigation into department stores covered ten companies of which the majority were single-unit organizations, operating only retail stores in urban centres. The three largest, namely, the T. Eaton Company, Ltd., the Robt. Simpson Company, Ltd., and the Hudsons Bay Company, Ltd., are multiple-unit

(¹) Annex VI, Table 124.

undertakings, two of which do the bulk of the mail-order business of the country. Obviously, the buying power of these extended companies is of much greater significance than the influence of the single-unit stores. In comparison with their larger competitors, the latter, indeed, can hardly be described as mass buyers.

The large department store organizations of the present day practically all developed from small dry-goods stores or small general stores. The three largest were all in existence by 1875 and by 1900 were each doing a volume of business of from one to five million dollars per annum.

From this point, the volume of business shows a constant growth until in 1930 the three largest companies conducted over 10 per cent of the total retail business of the Dominion. In early years the additional capital required for such expansion was obtained by ploughing back earnings, but in 1925 and succeeding years the public were invited to invest in the securities of the two largest organizations.

Growth in the early period is to be attributed to an increasing measure of popularity secured for these organizations by certain obvious conveniences to the public, inherent in the department store method of merchandising. The maintenance of a single price policy coupled with emphasis on lower prices, created in the minds of the buying public an attitude of confidence, which was promoted with considerable skill through the various customer policies of the stores.

The earlier growth of the large department store from 1900 to 1920 is marked by a number of steps. The first important change in the transition from the dry-goods store was the development of departmentalization. Then came the addition of mail-order business, and the subsequent establishment of separate divisions, including the opening in other large cities of additional department store mail-order units modelled closely upon the parent organization. Added lines of merchandise, including foodstuffs, had an important effect upon volume, increased the number of customers in the store, and resulted in new buildings or increased floor space. Factories, manufacturing at first solely for the mail-order branch, were gradually built into important production units employing in one instance over 6,000 workers and were designed to supply all the retail outlets of the organization.

2. NATURE AND EXTENT OF DEPARTMENT STORE BUSINESS

This is, in brief, the framework on which was built most of the expansion of the 1920's. During that decade department store growth proceeded very rapidly and, we feel, often unwisely. With the exception of one company which ventured into the chain-store field through the establishment of chains of small department stores and "groceries," expansion took the form of enlargement of existing services, modernization and extension of premises, an even higher degree of specialization in the merchandising of various commodities, and the addition of important and often expensive customer facilities. Specialization in merchandising departments is illustrated by the fact that within one large unit were found no less than 180 different selling departments. Store service departments underwent the same specialized subdivisions along functional lines, the above mentioned unit having 117 separate service departments.

Further reference should be made to the mail-order business. From its establishment early in the century it increased rapidly in volume, particularly during the later years of the War, and reached its peak in 1920. From that point, however, mail-order business has lost ground, largely owing to the improvement in communications, and the urbanization of a section of the rural population. At its peak, catalogues issued twice a year by one company contained 588 illustrated pages, and over 1,000,000 copies of each issue were distributed at a cost of approximately \$1 per catalogue.

Department store activity varies considerably in different parts of Canada and the Census of Merchandising shows that, of the 146 stores (including mail

order warehouses), 61 were located in Ontario, 24 in British Columbia and the Prairie Provinces combined, 17 in Quebec and 20 in the Maritime Provinces. The proportion of the total retail trade handled by such stores was highest in the Prairie Provinces, where the sales were 17·4 per cent of the total, and lowest in the province of Quebec, where they were only 8·2 per cent of the total.

The maximum volume of department store business was reached in 1929, when the ten companies investigated had sales of over \$357,000,000. These companies operating 22 department stores and 5 mail order warehouses, accounted for more than 90 per cent of the department store business. The three largest, the T. Eaton Company, Ltd., the Robert Simpson Company, Ltd., and the Hudson's Bay Company, Ltd., together accounted for slightly more than 80 per cent of the total, while, with sales of approximately \$225,000,000 in 1929, the T. Eaton Company, Ltd., alone transacted 58 per cent of all department store business or over 7 per cent of the entire retail trade of the Dominion.

From the 1929 peak, business fell off steadily, and in the year 1933 the sales of the ten largest stores had dropped to \$224,500,000. It is significant that the most severe decline occurred in the largest company, the T. Eaton Company, whose business fell by 42 per cent from its 1929 volume, compared with an average decrease in the other nine companies of only 30 per cent.⁽¹⁾

This loss of volume, coming as it did at the end of a period of unwarranted expansion, found the largest stores with an unprecedented expense burden which threatened their very existence. The top-heavy development of the larger units created an expense structure so inflexible that a serious drop in volume threatened financial disaster. Indeed the principal reason for the maintenance of the dominating position of these companies during the depression lies not in the limited economies which were possible, although these were drastically instituted, but in their ability to increase their trading margin in the face of falling prices, decreasing public purchasing power, and the most intense competition between the department stores themselves.

3. MASS MERCHANDISING AND MASS PRODUCTION

In considering the development of department stores in relation to the other retailing agencies, their sales cannot be compared directly with those of any one kind of business because department stores compete with virtually all other retailers. By estimating the total sales of all stores by commodities it is possible to arrive at the approximate proportion of the total sales for certain lines represented by department store sales. The results of the Census of Merchandising for Canada show that department stores had, in 1930, roughly, 60 per cent of the trade in home furnishings (bedding, mattresses, kitchen utensils, etc.), 52 per cent of dry goods and notions, 42 per cent of women's clothing, 46 per cent of furniture, 32 per cent of shoes, and 27 per cent of men's clothing.

That the trade in these lines forms more than half of the total business of the large stores reveals another significant aspect of department store operation. The production of many of these commodities—particularly men's factory clothing, women's factory clothing, and leather boots and shoes—has tended to remain in the hands of a large number of relatively small manufacturers. Almost half the production in the women's factory clothing industry was by firms with an output of less than \$200,000, while establishments of this size in all industries produced only 21 per cent. Firms with production of less than \$500,000 accounted for more than 60 per cent of the total output for men's clothing and boots and shoes, and more than 76 per cent for women's clothing, compared with an average for all industries of only 34·0 per cent. Mass merchandising, therefore, far from applying only to mass-production goods, applies chiefly to goods which continue to be produced in relatively small plants.

(1) See Annex VI, Charts VI and VII.

4. POSSIBILITIES OF FUTURE EXPANSION.

The concentration of business in the hands of a few companies is far greater in Canada than in any other country for which information is available. In the United States in 1929 there were 17 companies operating 2,400 department stores with sales of \$1,500,000,000. The sales of these 17 organizations, however, represented only 34 per cent of the total department store business in the United States, whereas the three largest companies in Canada handle 80 per cent. The largest single department store and mail order organization in the United States, Sears, Roebuck and Company, had less than 1 per cent of the total retail business in that country, while in Canada the T. Eaton Company had more than 7 per cent. It is interesting to note that the largest retail organization in Canada is in the department store and mail-order field, while in the United States, the largest organization is in the grocery and meat chain field. But even this company, the Great Atlantic and Pacific Tea Company, with sales of approximately \$1,000,000,000 in 1929, did not occupy as dominant a position in the United States as did the T. Eaton Company, Limited, in Canada.

At this point, it seems pertinent to inquire whether or not, with an improvement in business conditions, department stores may be expected to undergo another period of expansion such as occurred in the 1920's. In our opinion, this seems extremely unlikely. The results of the past four years and the evidence we have taken suggest that the trend to be anticipated is toward lessened department store dominance in the retail field. That certain efficient units operating to-day will increase the volume of their business, there seems little doubt but the uneconomic expansion on the part of the largest companies, with multiple, parallel, and mutually-competing types of outlets, has resulted in a structure and organization of business which cannot operate with maximum efficiency.

The development of new competition from the different types of chains and the modernization of the methods of independent retailers should exert a restraining influence on future department store expansion. These factors seriously threaten the price advantage upon which the department store has come to rely and, while it is difficult to forecast accurately the effect on the prices of suppliers of the enforcement of labour and minimum wage legislation, the return of better business conditions should undoubtedly strengthen the bargaining position of the supplier to the detriment of the profit margin of the department store.

A further important consideration is the increase in the fixed operating expenses of department stores arising from the expansion of these organizations in the 1920's. While internal reorganization and the closing of uneconomic units may lighten to some extent the heavy burden of expense, it appears abundantly clear that the advantages over competitors, enjoyed by these stores in the earlier stages of their development, by reason of the efficiency of their operation and their tremendous purchasing power, are now to a large extent offset by higher costs resulting directly from over-expansion.

5. DEPARTMENT STORE ORGANIZATION AND OPERATION.

a. Department Manager.

The modern department store may be described as a number of individual businesses operating under the same roof, owned, taxed, and financed by the central organization, but with each department actually operating under the exclusive direction and control of an official, commonly known as the department manager or buyer. This individual trader is usually well-paid and receives a bonus when his department makes large profits. In order to retain his position, however, the buyer must secure a net profit that is satisfactory to

the management, and while his responsibilities are heavy, he is given a wide amount of personal discretion in the operation of his department.

In spite of the independence allowed the buyer in his dealings with suppliers and the public, he is under a very close daily supervision in the matter of his results. He is judged primarily on his volume, maintained mark-up, and net profits, and is subject to a highly developed system of budgetary control.

All phases of the operation of the department are carefully budgeted in advance of each season. The budget is prepared in the first place by the department manager and shows the estimated sales, expenses, profits and that most important index, the ratio of gross margin or mark-up. The gross margin is the difference between the laid-down cost of the merchandise and the realized selling price and is nearly always referred to as a percentage of the sales total. The measure of the adequacy of the budget is the operating result of the previous year, so that year after year the department is expected to show improvement, either in volume or in mark-up, or both. In a period of bad business, the management may not expect the maintenance of the previous year's volume, but the department manager is always under strong pressure, for his own protection, to render a budget that will be reasonably satisfactory to the management. The results of the business are watched day by day and week by week, and the department manager is quickly checked if the performance of the department is not equal to the budget.

Behind the merchandising departments, stands a large service organization, itself divided into a number of separate departments. The service departments provide delivery, telephone, accounting, cleaning, and a host of other services in the store. The costs of such services are divided among the merchandising units in a variety of ways.

There are thus two classes of expenses which the department manager has to meet: first, those over which he has direct control such as wages of his sales staff and advertising; and, second, the expenses which are charged to him by the head office and which cover administration, occupancy, interest on stock, rental on equipment and other charges. It is the usual practice to charge each department not only with the out-of-pocket expenses of the organization, but also with certain other charges, such as interest on the merchandise, excessive rent for the space occupied, etc. This is known as "loading" and often results in a department, which appears merely to break even, realizing a fair profit for the organization.

In other words, the departmental expense charges, which affect the net result on which the manager is judged, contain disguised provisions for profit, through the billing by the central organization of services at more than their actual cost. The "loading" of the departments' expense is practised by practically all department stores and is designed to place the department manager on approximately the same basis as the independent merchant. The tendency in recent years has been steadily to increase the amount of such "loading" and this has made it necessary for the manager to find more gross profit in order to break even. The system of "loading" is not, however, confined to expenses and within the last few years the policy has been initiated of "loading" the cost of merchandise. In other words, the department is charged more for the goods than they cost the store and this tends to cut down the percentage of maintained gross margin appearing in the departmental operating accounts. The effect upon the department manager of increased merchandise cost "loading," particularly during a period of falling prices and distressed business conditions, cannot be underestimated. It has also an inevitable effect upon the supplier, because the buyer must purchase his merchandise at prices that will enable him to get his budgeted mark-up, over and above the cost of the merchandise plus all "loading" charges.

While the "loading" of merchandise costs is not practised by all department stores reviewed by us, we feel that it has a considerable effect upon the buying tactics of those large organizations which do practise it. The inability too, of the department manager to determine the extent of such "loading" seems to create an unnecessarily severe type of oppressive driving.

The evidence before us suggests that from 1930 to 1933 the position of the department manager has been a very difficult one, with volume rapidly decreasing, and "loading" charges increasing. This has necessitated a constant effort on his part to meet budgeted figures. This loss of volume induces terrific pressure within the organization. The department manager, to protect his own position, must seek to neutralize that loss and secure a greater margin of profit by searching for distress merchandise and making deals with idle plant manufacturers for the purchase of large quantities of goods frequently below factory cost. Such policies often result in the department store losing relatively less of its business than its smaller competitors.

b. Operating Results.

The common criterion of the efficiency of department store operations is the percentage of the gross margin to sales. In non-technical terms this is the difference between the purchase price of incoming merchandise and the actual amount realized when the same merchandise is sold. While the gross margin is commonly used in comparisons, it is not an entirely satisfactory yardstick, since conditions under which stores operate vary greatly. Because the gross margin is expressed as a percentage, the actual spread in dollars and cents depends on the base to which it is applied, and in making comparisons from year to year, when there are shifts in the level of commodity prices, the gross margin percentage, without taking these shifts into consideration, is an incomplete and misleading index. In spite of its inadequacies, however, this index must be employed in lieu of more satisfactory data, but the limitations of the method should be kept in mind.

Some comparison of the relative efficiency of department stores and specialty stores can be gained by comparing their operating results.

(1) Comparison with Specialty Stores.

In the majority of independent retail stores there has been, in the past, a strong tendency for margins to remain relatively constant over a fairly long period of time. This is due to the general conservatism of most proprietors and to the maintenance of what is considered the customary mark-up for each kind of business. These conclusions are borne out by the results of the census of retail trade taken in 1924 and the more complete survey made in 1931. Between 1923 and 1930, in four different merchandise groups selected, the variation in the operating ratios for all specialty stores in Canada was less than 1 per cent.

A careful examination of the auditors' statements for department stores reveals that, on the average, the gross margins in the shoe, clothing and furnishings, and furniture departments, approach closely the average gross margin for the whole store. As these lines form a very considerable part of the total business of department stores, there are good reasons for believing that the relationship between the respective margins has held true for the period from 1925 to 1930.

A comparison of the gross margin percentage of sales in 1923 of four selected specialty store groups with those of department stores in 1925 (the figures for 1923 are not available) gives the following results:—

KIND OF BUSINESS—GROSS MARGIN PER CENT OF SALES, 1923

	Per cent
Men's and boys' clothing and furnishing stores.....	32·98
Women's ready-to-wear stores and ladies' tailoring.....	28·49
Shoe stores.....	27·73
Furniture stores.....	30·74
Department stores (1925).....	25·4

It will be noticed that the ratio for department stores in 1925 was below specialty stores in 1923.

It is impossible to make a similar comparison for gross margins in later years as figures for specialty stores in these fields are not available after 1923. Such a comparison can, however, be made on the basis of operating expense ratios. If retail stores are operating at a profit the gross margin exceeds the operating expenses by the extent of the net profit. In the year 1930, however, there was very little profit for retailers as a whole. Therefore, operating expense ratios for that year would be a valid basis of comparison, not merely between department and specialty stores, but with the gross margin ratio of 1923.

The figures for 1930 on this basis give the following results:—

KIND OF BUSINESS—OPERATING EXPENSES PER CENT OF SALES, 1930

	Per cent
Men's and boys' clothing and furnishing stores.....	32·85
Women's ready-to-wear stores and ladies' tailoring.....	28·78
Shoe stores.....	28·05
Furniture stores.....	31·06
Department stores.....	25·8

It will be seen from the above that the respective ratios for department and specialty stores are practically the same as in 1923-25. It will be seen also that on the basis of these figures the department store in 1930, retaining a smaller percentage of the consumer's dollar, would be able generally to undersell the independent retailer in these lines, even had the former not been able to buy more cheaply than the latter.

Since 1930, however, as we shall see later, the operating ratios of department stores have advanced sharply until operating expenses reached 29·1 per cent of sales in 1932. It is believed, however, for reasons set forth previously, that specialty stores have tended to maintain their customary margins. If this be true, the relative advantage in operating ratios possessed in earlier years by the department stores has largely disappeared and the difference in this respect between the two types of stores is now less than at any previous period.

Department stores have built up in the minds of their patrons a deserved reputation for service. It is probably true, however, that the strongest incentive for the consumer to patronize the department store is the belief that prices are lower or better values obtainable. The figures above indicate the changing situation in respect to this matter, but there is little doubt that the buying public is still convinced that exceptional values are more often found in the large stores. The advertising policies of such stores are generally designed to strengthen or maintain this belief.

Even if these lower prices do exist there remains the question of how they are obtained. This matter is discussed in some detail in a subsequent section of this chapter. Meanwhile we need only state here that it is clear from the data that are available for independent specialty stores that the purchasing power of a single department store greatly exceeds that of the large majority of independent stores handling the same line of merchandise. This relatively greater purchasing power has enabled department stores to take a commanding position in many markets. There can be no doubt, therefore, that the department store has been able in its purchasing to secure better terms, equal or superior goods, and better service than most independent merchants. Just how great an advantage is enjoyed by the large organizations cannot be clearly

determined from the evidence available, and to what extent this advantage arises from economies realized by the seller or through the exercise of superior bargaining power is likewise in doubt. But, in addition to the advantages which the department store has possessed as a mass buyer, there appear to have been, in the early stages, at least, certain advantages due to the economies of large-scale operation.

(2) *Increasing Margins and Cost of Operation.*

Any consideration of the relative efficiency of department stores must include a survey of the trends of their experience, as disclosed in the available statistics. The record of department stores in the United States and in Canada for such a period as we have been able to survey clearly indicates that this relative efficiency is lost as competition between department stores and other types of distribution develops. The guiding principle of department store operation is, as we have shown, the maintenance and advancement of certain operating ratios, particularly the gross margin. In a time of rising prices, such as the period 1914-1920, the maintenance of a gross profit percentage applied to an increasing base, rendered operations highly profitable. A reduction in this ratio might then reasonably be expected, because the cost of distribution does not increase by reason only of an increase in commodity prices. Department store policy, however, regards any such reduction as distinctly retrogressive and constant effort is made to maintain past standards of performance, as measured by the conventional ratios. The experience of department stores in the United States during the period 1914-1920 illustrates this.

While net profits were probably increased in this period owing to larger dollar volume of sales, the failure to secure any reduction in operating expense ratios meant that the per-unit cost of handling goods increased, because the same ratio of expense was being applied to much higher dollar values.

The fall in prices that began in the latter part of 1920 forced an advance in gross margin percentages to avoid losses and, of course, was accompanied by increased ratios of operating expenses as the value of goods declined. From about 1923 to 1929, prices remained fairly constant at the new level.

During this period we find the gross margins of department stores in the United States consistently advancing, although not so rapidly as the operating expense ratios. Again we find that the larger volume of business at stable prices which came to department stores during this period did not result in any reduction in the costs of distribution but, in fact, was handled at continually advancing costs. The following table adapted from several American sources illustrates the movements of this period:

OPERATING RATIOS OF DEPARTMENT STORES IN THE UNITED STATES

	Gross Margin, Percentage of Sales	Operating Expenses, Percentage of Sales	Index of Sales (1920=100)
1920.....	28.4	26.2	100
1923.....	32.0	28.4	104
1926.....	33.2	30.1	113
1929.....	33.5	32.3	118
1933.....	36.9	38.1	71

The available figures for department stores in Canada cover only a part of the period embraced in the above table, but they illustrate even more strikingly the tendencies already described. The gross margin of the stores investigated

rose from 25.4 per cent in 1925 to 27.3 per cent in 1929, and the sales advanced from 248 millions to 357 millions. Operating expenses in the same period advanced from 22.1 per cent to 24.0 per cent of sales.

OPERATING RATIOS OF DEPARTMENT STORES IN CANADA

	Gross Margin, Percentage of Sales	Operating Expenses, Percentage of Sales	Index of Retail Prices (1926=100)	Index of Sales (1920=100)
1925.....	25.4	22.1	99.3	111
1926.....	26.0	22.3	100.0	120
1929.....	27.3	24.0	99.9	160
1933.....	28.7	28.0	78.5	101

The increased volume of trade secured by department stores was handled with an increase of approximately 2 per cent in the expense ratio up to 1929. The decline in business since 1930, accompanied by a rapid fall in prices, quickly resulted in the loss of sales volume for department stores. The resistance to such a loss was immediate and, although profits could not be maintained, the department managers attempted to offset the declines, to some extent at least, by increasing the percentage of gross margin. Thus we find the percentage advanced from 27.3 in 1929 to 28.7 in 1933. But the cumulative effects of the expansion and service innovations of the period of prosperity caused an unavoidable rise in the ratio of operating expenses. The figures in our table show a rise from 24.0 per cent in 1929 to 28.0 per cent in 1933. The necessity of providing for this increased proportion of operating expenses acted as a further goad to the department manager to increase this maintained mark-up. But once this higher mark-up is attained, it becomes the standard for future operations, and when the low point in the decline has passed and prices and buying power start to increase, the higher percentage of gross margin becomes the accepted ratio and the next cycle begins.

6. CONCLUSIONS.

To sum up, therefore, we find that within the past ten years the department store has, through increases in its cost of operation, lost to a large extent the advantages which it previously enjoyed over its competitors by reason of its lower costs of distribution. That it still retains a considerable advantage by reason of its buying power and methods will be shown in a later section.

The efficiency, however, of the large department store organization as an agent in the system of distribution has clearly been impaired by the unwarranted expansion of its structure and it is faced, at the present time, with the necessity of remedying serious defects in that structure, of which the more apparent are as follows:

- Over-development, for competitive reasons, of expensive customer-services and excessive advertising costs.
- Too many departments and merchandising units, too wide a range of merchandise; and, in one particular case, participation in too many fields of endeavour, to permit effective application of central management control.
- Low productivity of department stores in comparison with newer types of distributors, reflected in low volume of business per employee or per square foot of space.
- Over-development of mail order facilities in view of falling off in this type of business.

4. THE CHAIN STORE

1. GROWTH AND DEVELOPMENT OF THE CORPORATE CHAIN.

The modern corporate chain store originated some seventy-five years ago, in the establishment of a system of multiple outlets for the sale of tea in the United States of America. The advent of this type of merchandising in Canada is of more recent date. Indeed, the development had reached considerable proportions in Europe and the United States before chains appeared in Canada in the form of branch systems of the large United States variety and drug companies.

Up to 1925 the chain-store movement in Canada grew at a fairly rapid pace, with examples of the corporate chain, the voluntary chain, and the manufacturer-controlled types. From 1925 to 1930, an enormous increase took place in the number of stores. Of the 8,534 chain units operating in 1930, with sales of \$563,078,000, 4,601 or more than half, had been established within the previous five years. Since 1930, however, growth has been arrested.⁽¹⁾ Among the different chains, the food group registered by far the greatest expansion, units increasing approximately 200 per cent from 1925 to 1930. As an example, one grocery chain, established only in 1921, operated three years later twenty-nine stores with sales of \$6,100,000. In 1933, the same company had 111 stores with sales of \$14,800,000. Another food chain had, in 1924, 354 stores with sales of \$10,350,000, and in 1933, 505 stores with sales of \$19,750,000. Similar rates of growth are to be found in other chain organizations of the corporate type.

The Census of Merchandizing, 1930, classifies as a chain system four or more stores under the same ownership. No account has, therefore, been taken of two and three store organizations which in 1930 numbered some 4,600 units transacting a total business of \$216,000,000.

Food-chains comprise the largest single group in this type of merchandising. During the war years and post-war period, there were important changes in the mode of life of many city dwellers; notably the tendency toward smaller living units with greater dependence upon processed foods and smaller purchases. In the period from 1923 to 1929, the quantity of production in the fruit and vegetable preparations industries more than doubled. The opportunities, therefore, for distributing packages and staple articles through a great number of units under the same ownership were greatly extended. Another factor aiding such a development of all chains, was the growth of motor service and extension of good roads, which provided a flexible means of transport.

In the beginning, the food chains tended to concentrate upon the sale of packaged goods with the minimum of services offered to the public. The "cash-and-carry" principle was first introduced on a wide scale in this period. Also great improvements were made in the organization of the selling units so that the shopper who wished to make purchases with the minimum of delay and greatest ease in selection might find the chain stores greatly to his advantage.

2. VOLUNTARY CHAINS.

Independent retailers and wholesalers have often attempted to improve their competitive position by forming groups for co-operative buying. Even as early as 1905 druggists in the city of Toronto formed a company "to help the independent druggist meet competition that was then developing." This development of voluntary associations or chains has followed two broad lines. On the one hand there are what might be termed "retail-wholesaler" organizations consisting of groups of independent merchants, not affiliated with any separate wholesale company. The prime purpose of such organizations is to combine the purchasing capacity of their individual members, but their activities may extend to other service functions, such as advertising, display, etc., until all the normal

(1) See Annex VI, Tables 125, 126, 127.

operations of the wholesaler are performed by the organization for the benefit of its members.

The other common type of voluntary chain may be called the "wholesaler-retailer" type, which consists of a group of independent merchants affiliated with a single wholesaler for buying, advertising and other merchandising purposes. In this case, the initiative is supplied largely by the wholesaler, whereas in the former type, it must come entirely from the retailers themselves.

The development of voluntary chain groups has continued throughout the depression. A survey of all such food chains in Canada shows increases in the number of chains from 23 in 1930 with 4,545 stores, to 27 in 1933 with 6,170 stores, and in the same period an increase in their total purchases of over 16 per cent. The figures clearly indicate that under the pressure of department store and corporate chain competition, an increasing number of independent merchants are identifying themselves with co-operative associations of one kind or another.

3. MANUFACTURER-CONTROLLED CHAINS.

Another form of chain store distribution is represented by the retail store operated by a manufacturer. Although the volume of business done by such chains is still relatively small, there has been some increase in recent years. In 1930, 447 stores of this type were operated, with a total sales volume of \$37,000,000, or a little more than one per cent of the total trade of the country.

4. THE CHAIN STORE AND THE INDEPENDENT.

It might be thought that the extremely rapid growth of chain stores would lead to the elimination of the independent retailer. We have already pointed out that, irrespective of the presence of chain or department stores, the mortality among retail establishments is very high and that only a small proportion survives under the same ownership for more than a few years. Nevertheless, it is pertinent to consider whether there is a possibility of the chain stores developing to such an extent that the independents will be practically driven out of the fields in which the chain stores operate.

In this connection, if the cities in Canada with population of 30,000 or over are grouped according to the proportion of chain store sales to total sales in the grocery and combination store field, some interesting results are obtained. The percentage of chain-store sales ranges from 54.2 for the combined figures for Windsor, Toronto and Verdun to 16.8 for Saint John, Halifax, Quebec, Victoria and Three Rivers.¹ When the number of independent retailers is compared with the population, it is found that, for the group in which the proportion of chain-store sales is highest, the number of persons per independent store is 484 and for the group in which the proportion is lowest, the number of persons is 265. These figures indicate that there are relatively more independent stores in those places where the proportion of chain-store business is lowest. As the figures are for one year only, it is not possible to decide conclusively, however, whether the difference between cities is due to the presence of chain stores or to other factors. It should also be noted that, even in those cities where the proportion of chain-store sales is highest, there is still one independent store to every 484 persons or, roughly, one to every 138 households. In the cities with the lowest proportion of chain-store sales, there is one store to every 265 persons or, roughly, one store to every 76 households. A more detailed analysis for cities and towns in Ontario shows that the average size of independent stores is biggest where the proportion of chain-store business is smallest.

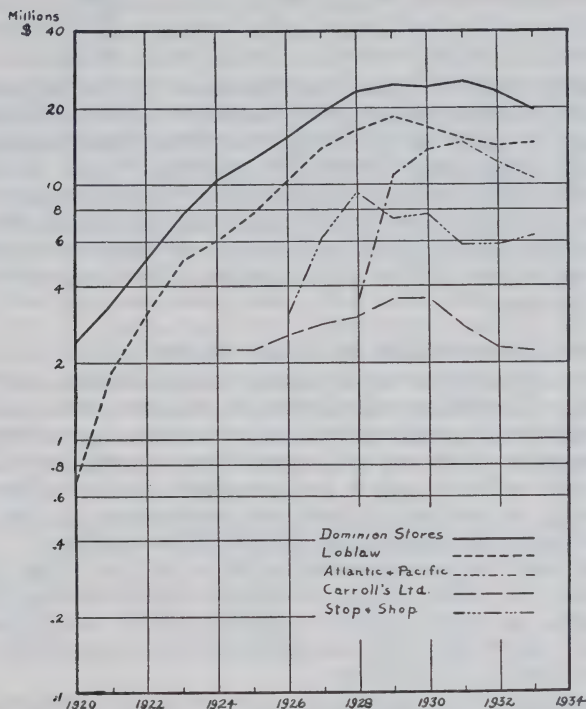
This evidence does undoubtedly show that the growth of the chain has had considerable effect on the fortunes of independents. It is far from showing, however, that independents are in danger of being eliminated.

(¹) See Annex VI, Table 128.

Though chain-store development has been almost startling during recent years, the experience of other countries suggests that the rate of growth from 1925-30 cannot be maintained or renewed, even after the depression. In other words, the chain-store development is slowing up. The chart below illustrates this:—

CHART V

Sales of Food Chain Store Companies.
(Note.—The business years of Stop and Shop Limited and Carroll's Limited are not uniform throughout.)
(Semi-logarithmic scale)



Various reasons may be ascribed for this. It may be the failure of business management to keep pace with the growth of the business, the development of rigidity within the organization as it expands, lack of suitable opportunities for expansion, or the increasing strength of competition from other chains or independents. In connection with this latter factor it must be remembered that, although many independent retailers have been forced out of existence in the last ten years, those that have survived have adapted some of the best features of chain-stores, modern, up-to-date, attractive and efficient methods of merchandising, and have therefore strengthened their competitive position. Furthermore by the development of voluntary and co-operative chains, the buying economies of the corporate chain are to some extent neutralized and the advantages of individual ownership and direction maintained. Statistics seem to show also that the relatively high earnings of the chains in the period of expansion tend to drop after this peak period of expansion is over.¹

All these points bear on the extremely important question of whether the chain stores are likely to develop to such an extent as to secure a dangerously dominating position in the field of retail merchandising, to the detriment and possibly the virtual extinction of the independent merchant. Such a develop-

(1) See Annex VI, Table 129.

ment would, of course, undoubtedly warrant some form of government intervention. We feel however that if the moderately efficient independent store is not subjected to unfair or unethical methods of competition it need have no fear of survival even in this chain-store age.

Some confirmation of this belief may be found in the index of sales of 19 chains and 1,219 independent grocery and combination stores, in Ontario, from 1930-1933.

Taking 100 as the index in 1930, the figures are as follows:—

	Chains	Independents
1930.....	100.0	100.0
1931.....	95.7	84.0
1932.....	83.3	72.7
1933.....	77.3	69.3

It appears from the above table that the decline in the sales of independent stores was greater than the decline in the sales of chain-store companies. The difference, however, is much larger in the year 1931 than in succeeding years. This suggests that independent stores are regaining a good deal of the competitive position that they lost in the first years of the depression.

In short, the conclusion may be advanced that, in the long run, and on a fair competitive basis, the relative position of the corporate chains and that of the independent stores will be determined by their respective efficiency in distribution and service.

5. ADVANTAGES AND DISADVANTAGES OF CHAIN STORES.

We received much evidence on the economic significance of corporate chain-store development. The chains were attacked as destructive and uneconomic; as reacting injuriously on producers without compensating advantages for the consumer; as disruptive of old and well established competitive practices, replacing them with new methods unfair and unethical; as sacrificing every consideration, including the welfare of their own employees, to that of price, and therefore as encouraging the worst form of competitive warfare.

On the other hand we also received evidence to the effect that the chain store had set a new and better standard of retail merchandising; had developed to its highest point the quick, efficient distribution of fresh and attractively put up goods, and, above all, had reduced the price of goods to the consumer without excessive profits to themselves.

It is difficult to balance accurately the advantages and disadvantages of any economic development. One question, however, is of primary, though not of exclusive importance. Does the consumer receive greater value in dealing through chain stores? The chain store representatives have assured us that he does, basing their case for the most part, on comparative prices. This, however, is not necessarily a conclusive argument.

Even if we could prove that the consumer saved 9 cents out of every dollar in dealing through the large department or chain stores, that would not tell the whole story. There are considerations other than price, such as quality and service, which enter into value received.

So far as chain stores are concerned, they frankly and openly emphasize their price appeal to the consuming public. In evidence which we receive from representatives of the chain stores the point was often made that the chains had, by eliminating the middleman and lowering excessive wholesale costs, narrowed the gap between producer and consumer. At the same time evidence was given to show that, even if the wholesale spread has lessened in recent years, this might have been due to a variety of factors that had no relation to the chain store system of merchandising. Further, as has been pointed out, the function of the wholesaler is not eliminated by his disappearance. Direct selling by manufacturer to retailer, merely means that the services formerly performed by the wholesaler are transferred. Those services still have to enter into cost.

As nearly as can be determined from the results of the Census of 1924, the average spread on goods distributed through the wholesaler-retailer system in the grocery field was approximately 30 per cent of sales when the margins for both wholesale merchant and retail merchant are considered. This represents the average for the Dominion, though there would be considerable variations from this figure in different localities. The margin on sales, as reported by the auditors for the larger grocery chains, was 18.2 per cent for the same year, 1924.

In 1930, the margin for the wholesaler-retailer system calculated from the operating expense figures secured from the Census of Merchandising was approximately 26.0 per cent while the combined figure for the chain stores investigated was 19.1 per cent. That is to say, in the year 1924 by this calculation, the chain stores, on the average, took out of the consumer's dollar 11.8 cents less than did the wholesale and retail grocer together, and in 1930 their margin was, roughly, 7.0 cents less. Since 1930, margins for chain grocery stores have advanced and if independent merchants have not enlarged their margins to the same extent, the difference between the two systems will have become much smaller.

The comparisons that are made in the preceding paragraph are based upon the premise that chain store and wholesale grocers secured goods on the same terms. It seems clear from the evidence that on many purchases the larger chain stores secure more favourable terms than wholesale merchants. To the degree that chains secure goods at lower prices, the final selling price to the consumer will be still lower in comparison with independent stores. This difference, of course, will be in addition to that caused by the lower margins of chain stores.

An effort was made to estimate relative prices by applying prices from leading chains and a large number of independent retailers for thirty-two representative foods to an average Canadian food budget. The following table shows the cost of this budget reckoned from chain prices as percentages of the cost reckoned from independent retail prices.

RATIO OF CHAIN STORE PRICES TO INDEPENDENT RETAILERS'
PRICES FOR A SELECTED FOOD BUDGET

January, 1930.....	90.8	July, 1930.....	88.0
January, 1931.....	86.4	July, 1931.....	81.5
January, 1932.....	86.1	July, 1932.....	89.7
January, 1933.....	92.1	July, 1933.....	93.7
January, 1934.....	95.5	July, 1934.....	94.4

The fall in chain store prices between January, 1930, and July, 1931, appears to have been more rapid than in the prices of independent retailers. (The index number of retail prices in this period dropped from 106.5 to 74.7.) Although prices kept falling for some time after July, 1931, the gap between the two budgets narrowed steadily until January, 1934, when their values differed by only 4.5 per cent. The independent merchant in this period seems to have brought his prices more closely into line with his chain competitor, while prices generally were still falling (until March, 1933) and possibly did not follow the subsequent rise quite so promptly.

In this connection our investigators made a comparison of the price on a single day in May, 1934, of 25 articles in 10 independent stores (the average price was taken) with that of the same articles in a chain store. Of the chain store purchases, sixteen of the articles were regularly priced; 9 specially priced. The results showed that the 25 articles were 8.5 per cent cheaper in the chain store; the 16 regularly priced articles were 3.0 per cent cheaper in the chain store.

The above evidence supports the view that the chain stores sell for a somewhat lower price. It also shows, however, that this price gap between chains and independents is becoming narrower.

Various reasons may be given for this improving price position of the independents. Probably the most important is their improved and more efficient method of operation. To some extent this may be due to chain competition,

but whatever the cause, it is serving to neutralize one of the earlier advantages of the new type of merchandisers. As the independents are improving their methods, the chains are discovering certain weaknesses not so noticeable in the earlier period of prosperous development. Such things as the difficulty of maintaining efficient management, with a high degree of mobility in personnel and a lack of continuity in store administration, the growing burden of centralized control and supervision as the organization expands, and the growth of corporate impersonality are becoming increasingly important as chains continue to develop.

Even if we grant that the chain store still possesses a price advantage, though a lessening one, it must be remembered that the independent merchant offers considerably more service than the chain which operates on a low cost, minimum service basis. He often extends credit, delivery, telephone and other merchandising services which have not been characteristic of the multiple store organization. Such services must, of course, be paid for, and may well account for a great part of the difference between chain-store and independent prices.

Certain other factors have a bearing on this question of prices. There are advantages claimed for the chain, the very nature of which indicates that there are services to the community that they do not perform and that the independent stores therefore must perform. Chain stores, for instance, restrict their activities, on the whole, to the more populous centres and therefore are able to show a relatively large volume of sales per store, the foundation of successful operation. The independents are left to supply the less populous and therefore less profitable areas. Further, the chains owe their low prices to a great extent to the fact that they specialize in handling swiftly moving staples or branded goods and leave independents to stock the slower moving and hence less profitable lines.

6. STRUCTURE AND OPERATION.

Both department and chain stores depend for their success on large volume and rapid turnover. They differ fundamentally, however, in structure and organization. Whereas the department store centralizes both its buying and its selling, the chain store is highly centralized in its buying but highly decentralized in its selling.

The ability of chains to open and close individual units gives the whole selling structure a flexibility that is sadly lacking in the department store. Almost entirely by reason of this flexibility the chain stores were on the whole able to escape the disastrous losses of department stores during the depression.

This difference in organization results in differences of operation. The department store combines many kinds of store under one roof, puts each under the direction of a department manager and, by budgetary and other controls, brings pressure on him to buy and sell profitably within the limits of a relatively inflexible set of centrally-determined expenses. The department manager then passes on this pressure, not so much by trying to cut store wages and similar costs as by trying to buy goods from suppliers at a price low enough to permit both a substantial mark-up ratio and an attractive price to the consumer. The pressure is transmitted through the manager to the manufacturer and indirectly to the employees of the manufacturer.

The chain store establishes under one central control many similar stores in different localities, for which the central organization does the planning, purchasing, warehousing, and delivery. Any mass-buying pressure is exercised by this central organization which, because of centralized buying, can offer an outlet for such large quantities of goods that it is often in a position to demand not only a full share of the economies that may be properly given to large purchases, but also other concessions.

Unlike the department manager, the chain store local manager has neither connection with nor responsibility for purchasing. Nor has he much discretion

in the choice of goods to be handled, the cost at which they are charged to him, or the price at which they are sold. In all respects but one, he is less a manager than a chief clerk. The only thing left for him to "manage" is the cost of store operation. The chief item in this that is not already fixed by the central organization is labour costs. The pressure on each chain store manager to produce profits, therefore, is transmitted through him to the store employees, not as in department stores to the suppliers and their employees. Every dollar saved in store wages improves or maintains the profit record of the manager and the store. When managers are either allowed a fixed amount for store operating costs, or paid a proportion of the store's profits, any economy effected may directly increase the managers' own earnings. In short, department and chain store operations are similar in so far as the central policy is designed to concentrate various kinds of pressure on individual department or store managers. They differ in that pressure for profits in the department store is passed on direct to suppliers; in the chain store, it is passed on direct to employees and customers.

The particular practices by which this pressure is transmitted beyond the organization itself, depends partly on the character of the individual, partly on the relative bargaining power of those with whom he has to deal. The central organizations are therefore in a position formally to disclaim knowledge of or direct responsibility for some of these practices, which are not part of the store policy but are the "unanticipated" result of the pressure that this policy brings to bear on subordinate officials.

This question is discussed in somewhat more detail in a later section of this chapter. Meanwhile, we desire here to refer briefly to the development in Canada of another type of distribution, namely, consumers' co-operative societies.

5. THE CONSUMERS' CO-OPERATIVE MOVEMENT

Any inquiry into the system of distribution of natural products and manufactured commodities would be incomplete without consideration of the part played by this movement. Evidence taken by us shows that while some 60 co-operative organizations are affiliated with the Co-operative Union of Canada, the movement itself has not gained a widespread acceptance in this country, if comparison is made with its development in England, where it has grown to be the largest and most comprehensive business enterprise in the United Kingdom. The British movement, which began at Rochdale, England, in 1844, with a membership composed of 28 working weavers and an initial capital of \$140, has grown into an immense organization, comprising retail and wholesale branches, owning its own factories for the production of many goods, and importing in tremendous quantities foodstuffs and raw material from overseas. The strength of the movement in England is shown by the fact that their business did not decrease during the period of depression. In 1929, they increased the number of employees on their payrolls by 9,666, in 1930, by 8,755, in 1931, by 5,546, and in 1932, by 2,828.

The general principles of operation are well-known; one vote to one member, which must be exercised in person; the charging of current competitive prices; the payment of a fixed and reasonable rate of interest on the share capital; and the division of the net surplus among the members in proportion to their purchases from the society. Whereas voluntary chains are co-operative enterprises to promote the interests of independent merchants, the consumers' co-operative movement is a group of individuals organized for their mutual benefit as consumers.

Consumers' co-operatives in Canada have, in general, followed the above principles. Their growth, although fairly steady, has been slow and somewhat disappointing to their sponsors. The reasons for this are, perhaps, to be found

in the pioneer nature of the country, the difficulty of competing successfully with large retail organizations already in the field, the mobility of population, and the constant change of an expanding economic organization. Small savings in purchasing are likely to be overlooked when large, although speculative, gains may be anticipated from expanding business. However, increasing economic stabilization in Canada, and the passage from a frontier and largely rural country to one more industrialized and urbanized, offers some possibility of acceleration in the growth of the movement in this country.

It is our opinion that further development of consumers' co-operatives in Canada would be of general benefit, introducing a restraining influence on the practices of other merchandising organizations and assisting in consumer education, which, we feel, is most necessary. The informed consumer is in himself the most valuable and effective check on excessive prices and poor quality. We agree, however, with the Co-operative Union of Canada, that the fundamental principle of the co-operative movement is self-help and mutual-help and that, a natural, if tardy, growth, is to be preferred to artificial stimulation.

A review of the legislation in Canada with reference to co-operatives shows that while provision is made in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Quebec, for their incorporation and regulation, there is no uniformity and much room for improvement from the point of view of the co-operatives themselves. In the Maritime Provinces no general legislation for consumer co-operatives exists. Further, there is no federal act providing for their incorporation or regulation.

During the past 30 years several efforts have been made to obtain Federal Co-operative legislation. A Co-operative Bill passed the House of Commons in 1907 without opposition, but was defeated in the Senate by a majority of one vote. Several bills have been introduced since that time, but did not make progress.

We recommend, therefore, that consideration be given by the Federal Government to the possibility of legislation for the incorporation and regulation of consumers' co-operatives, enabling them to do business under the same conditions as any federally incorporated company. It is further recommended that it be provided by law that the word "co-operative" shall not be used in any trade mark, or as part of any trade name, except by a co-operative society duly incorporated under federal or provincial law. While the co-operative movement in its operations asks no special privileges, it has a right to demand fair and equitable treatment from government and private enterprises. In particular it should not be victimized in the early stages of its development by unfair competitive practices or price discrimination on the part of manufacturers and wholesalers. We recommend, therefore, that whatever measures are taken to protect businesses generally against these evils should offer equal protection to the co-operative movement.

6. LARGE-SCALE ORGANIZATION AND MASS BUYING

1. CAUSES AND EFFECTS OF MASS BUYING.

In previous sections of this chapter we have discussed the pressure exerted on the chain and department store to maintain their price appeal in the face of mounting expenses by purchasing at the lowest possible cost. This of course, is a policy which is not peculiar to mass merchandisers, but is a recognized practice in any line of business activity.

Whereas, however, the small retail merchant, or even the small department store, has not the purchasing power to dominate the smaller manufacturers, the mass buyers have, in some cases, accumulated that power.

In using the words "mass buyer," we should point out that we do not refer to all chains or department stores, though, no doubt, they all are striving to

develop to an extent where they would be included in this favoured class. Only the larger chains and the two or three largest department stores are "mass buyers" in the sense that we use the words in this Report.

It has long been realized that one of the main elements in the competitive strength of large-scale distributors lies in their ability to buy cheaper than the small-scale retailer. The centralization of buying for many units in a few hands, such as is characteristic of chain stores, or the large-scale buying of department stores, where one department has a volume of business equal to a great many single stores, has greatly altered the nature of the competitive market that prevailed before the period of the rapid growth of large-scale organizations. The buying practices of such organizations are no longer a matter of their own private concern or even a matter between themselves and their suppliers. The practices that they follow and the terms that they exact from manufacturers affect not only the manufacturers with whom they deal, but also other manufacturers, other distributors, both wholesale and retail, wage-earners, and consumers.

So important are the orders of department and chain stores to some manufacturers that, labour conditions and wage rates may become dependent upon the manner in which large-scale buyers do their purchasing. Likewise, the shift of orders by a mass buyer from one province to another, from one city to another, or from a domestic to a foreign factory, may jeopardize the livelihood of thousands of workers or seriously affect their standard of living. The exercise of this power is of such great social concern that an examination of its effects is amply justified.

The competitive advantage that the mass buyers enjoy over independent merchants is no less important than the influence they exert on the labour and wage conditions of their suppliers.

It has already been shown that department stores secure a large part of their goods from industries in which the small factory is still the characteristic unit of production. To a considerable extent these manufacturers have suffered, not only from severe competition within their industries, but also from the centralized buying pressure of the large distributors. If in a period of general prosperity suppliers are able to secure reasonable prices from mass buyers, the unbalanced character of the marketing structure would occasion no evident or serious defect. If, however, the mass buyers should find themselves under the necessity of exacting the most favourable terms for themselves, the unequal bargaining position of buyer and seller results in the manufacturer's being forced to the limit to meet the buyer's demands. That some mass buyers have been under such necessity in recent years is clear from the preceding sections of this chapter.

The operating expenses of department stores, and to a less extent, chain stores, depend very largely on the size of the physical plant which has been built up and the type of the commodities sold. While employment and other costs bear some relationship to the volume of trade, the management, when business falls off, cannot reduce expenses to the same extent as sales decline. Some reductions can be made in the size of staff and amount of payroll, but these cannot be pushed too far without running the risk of losing public patronage. Other items, such as rent, taxes, insurance, etc., can scarcely be affected within a brief period. This is true also of bond or mortgage interest, if such obligations must be met by the company. In the face of falling sales volume and fairly rigid expenses, the mass merchandiser, as we have seen, generally makes a determined effort to increase the gross margin on sales in order to cover costs on a smaller volume of business. The first step to increase the margin is to widen the initial spread between selling price and buying price—in other words, the initial "mark-up." As prices generally are falling, this can only be achieved by reducing cost prices to a greater extent than selling prices.

During a period of trade contraction the income of consumers is seriously curtailed, and if the department or chain store is to hold its position against competitors, it must stress price appeal. The simultaneous operation of these two policies—one to secure a wider spread and the other to maintain or increase public patronage by the appeal of lower prices—results inevitably in a determined effort to force down manufacturers' prices to the utmost extent.

2. HOW THE SYSTEM OPERATES.

It will be useful to see how the system operates in the case of department stores. Budgetary control of the operations of departments, forces each department manager to do his utmost to achieve the pre-determined goals that have been set up for his department. While the manager is given considerable freedom in the methods he may use to secure the desired result, conditions during the depression have forced him to exert the greatest pressure on his suppliers in order that his initial mark-up may be high enough to cover the various mark-downs and losses which assume increasing proportions during a period of falling prices. While the final maintained mark-up may not be advanced very much, it is the proposed initial mark-up which determines the terms that the mass buyer will offer to the manufacturer.

There is a wide variation between the initial mark-up and the maintained or finally realized margin, and the initial spread varies considerably on different articles within the same department. It must be remembered that the department manager, who determines the initial selling price, is also the buyer, and it follows that when the bargain is being driven, he is conscious of the initial price at which the goods will be offered for sale. In fixing this initial price the buyer must weigh current competitive prices for the article and the possibility of doing a volume business at a bargain price. No less important, however, in a period of contracting business is the necessity of realizing the greatest possible spread within the limits of a bargain retail price and the lowest point at which the manufacturer may be driven to supply the merchandise.

Generally speaking, the initial spread on staple lines is lower than on distinctive or novelty goods, but as sale of the former is more assured, there is less loss from mark-downs and stock-clearances. But it is the novelty and style merchandise which offers the greatest possibilities for rapid turnover and quick profit and on such lines the initial mark-up is high and the pressure on the supplier at its maximum.

Our investigators, in picking out certain purchases for detailed analysis, selected merchandise prominently advertised in the daily newspapers. It is significant that the majority of the items so selected were non-staple goods, bearing a considerably higher spread than either the average for the more staple lines or the maintained margin for the whole department.

It seems clear, therefore, that if the price at which an article is offered to the public represents exceptional value, and at the same time provides an unusually high mark-up to the department, the amount received by the supplier must usually be insufficient to cover all his costs and permit him a fair margin of profit. The evidence shows that the widely advertised merchandise often represents exceptional values. Some proportion of such bargains is represented by clearances of manufacturers' stocks or merchandise marked down by the store to clear its own shelves, but in nearly every department an important volume of merchandise is regularly purchased at special prices and sold to the public at prices below the current competitive level.

In normal times manufacturers recognize the need of the buyer to make a showing in special sales and feel that they can supply a reasonable quantity of goods on a non-profitable basis in view of the value of the store's patronage. But when volume falls and the pressure on the department manager becomes extreme, he seeks to place as much of his business as possible on this special

footing. He looks to it not only to increase the price appeal of his department, and consequently his relative competitive position, but also, through the higher profit margin it carries, to offset the losses consequent upon decreased sales and inventory losses.

A large number of examples of price spreads in different departments were submitted to us by our investigators and the variation in initial mark-up referred to above is illustrated by the following brief extracts from these tables:

Description	Total Laid down Cost	Initial Selling Price	Initial Mark-up	
			Amount	Per cent to Cost of Sales
	\$	\$	\$	
Men's pyjamas	1.59	2.98	1.39	87.42
Men's negligee shirts.....	0.45	0.75	0.30	66.67
Cambray shirts.....	0.69	0.95	0.26	37.68
Boy's suits.....	3.60	9.95	6.35	176.39
Boy's britches.....	0.81	1.15	0.34	41.97
Women's coats.....	7.08	10.74	3.66	51.69
Women's dresses.....	7.95	29.50	21.55	271.07
Shoulder of pork.....	0.11	0.10	0.01*	9.09*
Beef hearts.....	0.04	0.08	0.04	100.00
Men's top coats.....	13.60	25.00	11.40	83.8
Blue waist overalls.....	1.19	1.49	0.30	25.2
Solid walnut end-tables.....	1.03	0.95	0.08*	7.8*
Mercurochrome.....	0.10½	0.25	0.14½	138.1
Lysol.....	0.22	0.27	0.05	22.0

* Loss.

These considerations also apply to some extent to chain stores, although here the local manager is not directly concerned, as he has no control over merchandising policies.

3. CONCLUSIONS.

The mass buyer has been accused before us of deceitful, fraudulent, and sometimes criminal practices in his buying. As no definite proof of such under-hand methods has been submitted, it is hardly fair to refer to them specifically, although it is admitted that satisfactory evidence as to their practice is almost impossible to secure. We are impressed, however, with the strain under which the individual buyer may find himself and the pressure that the modern large-scale merchandising system engenders. Undoubtedly, individual buyers have, in certain cases, violated all the rules of fair play, though there is no suggestion that such unethical conduct has any part in the declared policy of mass buyers. They must, however, accept some responsibility for the development of a system which at times provides the motive and opportunity for malpractice and under which the manufacturer, usually at a bargaining disadvantage, may be ruthlessly exploited through the failure of one individual to maintain his standards of business morality.

It may be maintained that the acceptance of a contract by a manufacturer on the mass buyer's terms is sufficient evidence that it is profitable. Such a view may be sound in respect to dealings between many competing small sellers and small buyers. It may even be true when the mass seller meets the mass buyer. It is doubtful whether it is necessarily true of a bargain between one of many competing small sellers and one of the few mass buyers, especially in a period of shrinking markets. True, it may have been in the interests of the particular seller to take the contract rather than let it go to someone else, particularly if the manufacturer is hard pressed for working capital. On the other hand, it might have been in the interest of the whole group of sellers to agree that no one of them would supply the goods on the terms demanded.

In summary, the complaints against the mass buyers can be classified under two heads:—

- a. That they have depressed the prices of manufactured goods, and of agricultural produce (such as milk, vegetables, turkeys, etc.). That they are responsible, through depressing prices, for the sweat-shop conditions existing in certain industries.
- b. That they are driving the independent retailers to the wall and that these independents should be protected for the following reasons:—
 - (1) They constitute a valuable social group which communities cannot afford to have wiped out.
 - (2) They can defend themselves from "fair" but not from "unfair" competition.
 - (3) Their elimination will result in growth of monopoly in the retail field.

Having stated and discussed the complaints, it is only fair also to consider the following persuasive argument often advanced in deference of mass buying.

During a business depression, when world prices are falling and all incomes are being reduced directly or indirectly by the fall of export prices, it is argued that a readjustment of the whole price structure becomes necessary. Retail prices normally are less flexible than wholesale prices and slower in responding to changed conditions. The adherents of this view hold, therefore, that it is desirable to have in the economy a group of mass buyers who can act as agents to force prices down; that lower prices tend to increase sales, production, and employment, and to increase the real income of consumers by bringing many commodities within the range of prices that they can afford to pay. Some employment at low wages, it is claimed, is better than none; production at low profits or even slight losses is better than idle plants.

It is conceded that some readjustment is necessary. But if the readjustment must take the form of lowering, through mass-buying pressure, the prices of manufactured goods and of primary products to that point which permits the payment of very low wages, or the earning of very low farm incomes, then some agency must be designed to bring correlative pressure elsewhere. Freight rates, rents, taxes, insurance, bond interest, monopoly prices, debts and all other inflexible rates, prices, and incomes must be drastically reduced. *All* prices, *all* incomes and *all* values must be deflated equally. In view of Canada's economic structure, we do not regard this policy as either practicable or desirable, especially at this late date in the depression, and we, therefore, cannot regard this defence of mass buying as convincing.

It still seems to us that, quite apart from "unfair trade practices" discussed later, this theoretical defence of mass buying overlooks the fact that the mass buyer brings his pressure on a group of workers, primary producers, and small manufacturers who are peculiarly defenceless. Any necessary social readjustment should not be concentrated primarily on such vulnerable groups. The mass buyers, moreover, do not pass on to the consumer all the price concessions they can exact. Their attempt to cover increased fixed charges and to maintain or increase percentage mark-ups shows that any such social benefit which might follow their operations would be only a small and incidental result of their attempt to protect their own favoured position.

7. MASS BUYING AND PRICE CONCESSIONS

One result of mass buying is price discrimination where manufacturers quote different prices to different classes of customers. This appears to have its origin in the distinction that was formerly made by manufacturers between wholesalers and retailers. It was generally felt that, as the wholesaler pur-

chased in much larger quantities than the average retailer, and as he also performed many functions not customarily performed by the retailer, he was entitled to certain price concessions. So long as the traditional wholesaler-retailer system of distribution remained undisturbed, little criticism was occasioned by the policy of such discrimination between buyers, although perhaps there may have been cases when large and well-established independent retailers believed they were entitled to price advantages which they did not receive. But the development of large scale retail organizations in recent years and the disintegration of the jobbing trade in many lines have tended to make the matter of price discrimination more a question of volume of purchases than of trade status, of bargaining power rather than of possible savings in manufacturers' selling costs.

A report made by our investigators covering 48 manufacturers supplying chain stores showed that in practically every case the chain stores had a considerable purchasing advantage over independents through quantity and trade discounts, free goods, advertising allowances, etc. In spite of this most of the manufacturers stated that their prices were uniform to all buyers. Apparently they interpreted this to mean prices before allowances or discounts which makes their statement both misleading and meaningless. The manufacturers we were told were very reluctant to give information about special allowances and occasionally refused outright. This reluctance is understandable in view of the fact that allowances, for no very obvious reasons, varied even within the privileged circle of mass buyers.

As there are many ways in which price concessions may be given, a better picture will be gained by considering some of the more common types.

1. TRADE DISCOUNTS

These are a survival of the trade status mentioned above and were formerly the concessions allowed to jobbers as distinct from retailers. A few examples can still be found where manufacturers maintain this distinction and treat chain and department stores in the same manner as independent retailers. In the majority of cases, however, chain and department stores secure the same discounts as jobbers, while independent stores, if they are permitted to buy directly, must pay the full list price.

The trade discount, however, is sometimes used as a means of discrimination between different classes of buyers in order to give advantages to some forms of distribution and to discourage others. There is no doubt about the unfairness of this type of discrimination. As pointed out in chapter iv, we found in our investigation of the distribution of rubber footwear that, while discounts for department stores were based largely on the quantity of purchases, the co-operative buying groups of independent retailers were not eligible for the larger discounts no matter how large their volume of purchases. The representative of the Rubber Footwear Manufacturers' Association admitted that the classifications used in the scale of discounts were not based solely on volume of buying and that, even if co-operative buying groups undertook the entire wholesale function, they were not given terms equal to other buyers of a similar volume, since the manufacturers wished to discourage distribution of this kind. Discrimination of this kind is clearly disadvantageous to the independent retailer organized in a co-operative chain and we unreservedly condemn it.

2. CASH DISCOUNTS

These, as their name implies, are concessions offered for cash or prompt payments. Little need be said of them because they are customarily offered to all buyers alike. However, if an independent retailer is not permitted to buy

direct he is, of course, unable to take advantage of the manufacturer's cash discount. On the other hand, he could probably secure equal, or more favourable, terms for cash payment from his jobber.

3. QUANTITY DISCOUNTS

Under this general heading are grouped the various kinds of price concessions which are allowed for volume purchases. The nature and description of these concessions vary greatly between different manufacturers and in different industries. The most equitable forms are those which are open to all buyers upon substantially the same terms. There seems little doubt that for many manufacturers large single sales offer real savings in selling or handling costs and are, therefore, extremely advantageous if they can be secured without too great sacrifice. The question naturally arises: are the economies involved in such selling the only basis on which differential discounts are given or is the scale of discounts a reflection of the manufacturer's desire to retain the custom of large buyers whose patronage he believes will not be held unless preferential treatment is accorded them? As has already been stated with reference to trade discounts, discrimination in price can only be justified if it represents lower costs in distribution, but if such discrimination is due only to the superior bargaining power of large buyers, it may be condemned as not socially advantageous and, more narrowly, as a form of unfair competition. But just what constitutes unfair price discrimination cannot be determined by any set scale of measurements. For some commodities and to some manufacturers a differential of 5 per cent would represent the maximum economies involved in large orders; in other fields a difference of 15 per cent between large and small orders might be justified. Much less defensible, on economic grounds, are discounts that vary with different purchases of the same quantity, or that are based on purchases spread over a period such as a year or on an increase in volume of purchases in a period, say, from 4,000 cases to 5,000 cases. In the same class for which little economic justification can be given are discounts based on the volume of purchases from a group of factories. For example, it was stated with respect to the quantity discounts allowed for purchases of tennis and rubber footwear from members of the Rubber Footwear Manufacturers' Association that the buying might be from one manufacturer or from all of them. It is difficult to see just what the savings would be if an order for, say, \$80,000 were spread over eight companies. In view of the confusion which results when discounts and rebates are given for other reasons than those of economy in selling, there is a need for a careful survey of the practices now being followed and where obvious injustices are found for their regulation and, if necessary, prohibition by the Federal Trade and Industry Commission, which we later recommend.

4. FREE DEALS AND PREMIUMS

A free deal or premium deal may be defined as an offer or a giving of something for nothing, contingent upon the purchase of goods or services at a price. When the "gift" is represented by an additional quantity of the goods purchased, such as giving a "baker's dozen," it is a free deal; when, however, dissimilar articles or tokens for fractional values of a range of premiums are "given away," it is a premium deal. The variety of forms in which deals may be given or the motives which lead manufacturers to offer them need not detain us. It seems obvious that in the long run the purchasers as a whole pay the cost of such deals. The principal effect seems to be, therefore, to introduce confusion, to render uncertain the true cost of the merchandise and, where the same terms are not available to all buyers, to permit secret discrimination. The standard argument for free deals and premiums is that they stimulate buying, but from the point of view of the purchaser it is hard to find any justificatory benefits.

5. ADVERTISING ALLOWANCES.

The origin of advertising allowances seems to have been in the desire of manufacturers to secure promotion of their products at the point of sale and their willingness to make contributions toward the expenses that dealers might incur in advertising their products. In recent years, the term "advertising allowances" has been used to cover a wide variety of possible services. In fact it has often been a disguise for discounts or rebates in price. When the big retailer has special facilities for advertising a manufacturer's goods by including special reference in his newspaper advertising, by window display, or by demonstration on the floor, the retailer has an obvious right to sell these services to the manufacturer. But much of the evidence on advertising allowances that has been collected by our investigators, shows that the payments made or discounts allowed are related vaguely, if at all, to the performance of any definite services on the part of the retailer. In fact, advertising allowances were found to be based directly on volume of purchases. It is also clear that chain stores have received the largest share of such advertising allowances.

An American student of the problem has suggested that, in view of current confusion created by the use of advertising allowances, each trade should consider their regulation under the following conditions:—

- a. That the term advertising allowance is, in the opinion of the trade, used inaccurately and unethically when it is applied to any part of a price offer or used otherwise than to denote a payment for the purchase of specific promotion services.
- b. That advertising allowances are, in the opinion of the trade, unethical except when given as payments for specific promotion performances which are possible, practicable, and capable of being audited.
- c. That advertising allowances shall be arranged for in agreements entirely separate and distinct from sales agreements.
- d. That advertising allowance agreements shall definitely specify exactly how much shall be paid (in money or credit, goods or services) by the giver of the allowance, exactly what services shall be rendered by the recipient of the allowance, and the method of auditing performance which the allowance giver shall employ.

The trade should consider the advisability of condemning all advertising allowances which are secret on the ground that the terms of secret arrangements cannot be known and on the ground that the suspicion and mistrust engendered in the trade and the loss of time involved in transacting business in such a trade atmosphere offset such advantages as may be found in secret arrangements. ⁽¹⁾

6. DEMONSTRATORS.

Closely allied to the advertising allowance as it is used to-day is the provision by manufacturers of demonstrating sales clerks in the stores of retailers. This practice originated when expert salesmanship was required to introduce a new product to the public and manufacturers employed skilled retail demonstrators who went from one store to another, putting on special displays. To-day, however, we find manufacturers paying the wages, directly and indirectly, of a portion of the regularly employed sales force of department stores. In some departments virtually all the selling staff is on the payroll of one supplier or another.

Demonstrating allowances are often no more than additional price concessions, imposed on the manufacturer against his will and returning to him no benefit through the more zealous promotion of the sale of his product. It has become therefore an instrument of discrimination in the hands of the mass buyer and one method whereby the price policy of the manufacturer may be negated.

⁽¹⁾ L. S. Lyon—"The Economics of Free Deals" (The Brookings Institution, Washington, D.C. 1933).

7. CONCLUSIONS.

Having considered the more common forms of price discrimination by which mass buyers are able to obtain preferential treatment, it remains only to draw the obvious conclusion. There is little serious objection to discounts, free deals, and allowances when these are available to all on the same terms, and are related to any measurable service rendered, or economy effected. At the worst they simply complicate the problem of accounting and costing. But when such concessions are given not in return for any service, not openly, and not to all on the same terms, they involve gross discrimination and become a powerful weapon by which mass buyers compete unfairly with their small rivals and use their massed purchasing power to take undue advantage of their weak suppliers.

Having discussed the principles and some of the results of mass buying generally, we now come to the more specific consideration of competitive practices in retail trade as a whole.

8. COMPETITIVE PRACTICES IN RETAIL TRADE

The methods which competitive enterprises employ to extend their business or hold their position in the face of contracting markets are always of great concern to their rivals. Particularly is this true if some of the firms are relatively small, while others are operating on a large scale. But the mere fact that policies pursued by one organization are injurious to its competitors should not of itself condemn those policies. They must be judged by whether they contravene the generally conceived rules of ethical or fair dealing.

Whether or not certain practices are unfair cannot be based solely on the opinions of a single trade or of those who believe themselves to be injured parties. The only basis upon which business practices can be classed as unfair is in relation to the public interest. If certain practices can be shown clearly to be against the public good, they should be condemned as unfair even if they benefit certain trade groups. On the other hand, practices which benefit the public, even though they work a hardship on some groups, cannot be classed as unfair merely to protect such minorities. It is clear, however, that those practices which lead to the destruction of more efficient retailers by less efficient, though stronger, groups are not only unfair to the persons injured but also work to the disadvantage of the public.

1. LOSS LEADERS.

One of the most common practices of modern merchandising is the use of "leaders" or "loss leaders." These terms have, as yet, received no exact definition, but are understood broadly to mean merchandise featured or sold at prices easily distinguished as being less than customary prices. Such price reductions are made for the purpose of attracting customers and promoting sales, not so much of the featured articles as of other articles on which a higher profit is secured.

While the term "loss leaders" may have had its inception in the use of articles which were actually sold below cost, an actual loss is nowadays seldom experienced on most leaders. The general practice is to reduce materially the customary margin on goods used as "loss leaders." For a leader to be effective it must have a wide appeal and be sufficiently standardized to permit comparison of the cut price with that regularly charged. Goods in common use, such as sugar and butter, meet these requirements, but trade-marked or branded articles may be equally effective as "leaders."

Special mention must be made of the disastrous effect of loss leaders on the primary producer. The use, for example, of butter as a loss leader was proved to be a very widespread practice. Since a reduction in the price of butter will

not perceptibly increase its consumption, this practice very definitely causes a loss to the dairy producer that far outweighs any possible gains to the consumer. This is equally true of other standard agricultural products. Their use as loss leaders establishes, as customary, a price that reacts to the detriment of the primary producer.

Likewise, a manufacturer, who has built up a wide demand for his products, is injured when these are regularly sold at cut prices. Because the profit margin is thereby lost on such goods, competitors of the price-cutter lose interest in the goods and push more profitable lines. On the other hand, consumers who tend to connect price with quality are apt to suspect that the quality is deteriorating when well-known merchandise is offered at cut prices. Thus, although the manufacturer may feel an initial stimulus in demand because of the lower prices at which his products are being offered, this may soon be lost as public interest wanes. There is the further argument that when articles become regularly used as leaders, pressure is exerted on the manufacturer to lower his prices so that a margin of profit may be secured by the distributor at the lower prices. These arguments, however, are chiefly valid when cut prices are maintained for fairly long periods or where the policy is applied consistently to a few articles. If the leaders are offered only for a day or two, the injury to the manufacturer is not very great.

The consumer who purchases goods at cut prices undoubtedly gains on those items. But leaders are offered primarily to draw the public and create the impression of similar value as applied to goods on which prices have not been cut. While the difficulties of judging quality and price are growing with the increasing use of branded and trade-marked articles, the average purchaser can pick out the "loss leaders" from the other goods offered; otherwise there would not be the same widespread use of this device.

The competitors of the store using the "loss leader" are, however, the persons chiefly affected. That the deliberate use of cut prices to draw patronage away from competitors is an unfair trade practice, is quite clear. Such reductions are not prompted by any desire to serve the public by giving lower prices. One purpose is to attract customers to whom the store hopes to sell goods that are not loss leaders, at substantial profits. Another purpose is to create the illusion of lower prices on all articles. That this end is not always attained does not in any way lessen the unfairness of the practice.

It may be argued that competitors can adopt the same tactics. Large organizations including chains and department stores do so compete. But independent retailers, unless they associate together, cannot pursue the same tactics for several good reasons. The volume of trade in the average independent store is not sufficient to permit the advertising of specials. On many articles the chain stores, through purchasing in large quantities, with special discounts added to regular quantity discounts and bonuses from the manufacturer in the form of advertising allowances, have a much wider spread than has the independent store. Thus, when the chain sells below its usual mark-up, its selling price is often below the cost price of the independent. If the latter attempted to meet such cut prices, he would be selling his goods at an actual loss.

As independent merchants, singly, cannot meet the leaders of chain stores, many have joined the voluntary associations already described. By acting together, such groups of merchants can and do follow practically the same policy of using "loss leaders" as is pursued by the corporate chains. Those independent merchants who are not members of such associations are, therefore, subjected not only to the unfair competition of chain stores but also to that of voluntary chains.

We condemn the practice of loss leaders as unfair, promoting wasteful competition and seriously affecting the income of certain classes of primary producers, but in seeking a solution for the problem through legislative remedies

we are confronted with certain difficulties. These difficulties are complicated by our recognition of the necessity and propriety in certain circumstances of price reductions. Such reductions for instance must be permitted when a retailer discontinues handling a particular line of merchandise, or when he clears slow-moving stock. There is also the necessity of cutting prices to clear out-of-style goods or surpluses of perishable commodities. These are legitimate reasons for reducing prices, but they complicate the definition of what constitutes a loss leader and make difficult its simple prohibition.

2. DECEPTIVE PACKAGING.

There are certain other forms of unfair competition where the unfairness includes an element of fraud, and reacts immediately on the consumer as well as the competitor. As consumer problems, they are dealt with in chapter viii, but they should also be referred to here. We have received considerable evidence of ingenious and extensive practices on the part of retailers to mislead the consumer into believing that he is securing a bargain, when often he receives no more or even less value for his money than he might have secured elsewhere. We do not suggest that such practices are to be attributed solely to the mass merchandiser. It is fair, however, to state that the growth of the department and chain store with their ever-recurring emphasis on price appeal has helped to generalize those practices until they now have become a serious menace to fair and honest merchandising.

The first practice to which we might refer is *deceptive packaging*. One of the most common variations of this practice is altering the size of a package or the quantity of goods it contains, without clearly informing the prospective purchaser that such a change has been made. There are, of course, many cases when specially-sized packages are used which involve no deception. For example, the 5-and-10 cent stores early began to offer special 5 cent and 10 cent packages for many popularly-advertised articles. The public, however, was generally quite well aware that the packages in such stores were not the customary size and would purchase accordingly. It is when the public is given no indication of alteration in the nature of the package that deception takes place. The shading of an ounce or two from a package which generally contains 1 pound, or the reduction in the size of a can or other package which has become more or less standard, gives the manufacturer and retailer using such deceptive packages an unfair competitive advantage over those who provide the customary-sized packages. The practice, of course, is closely allied to misleading advertising and to the wide use of branded or packaged goods. The usual result of the alteration in the size of package by a manufacturer or distributor is that competitors have to follow the same practice. In time, a new standard package is generally evolved, but in the process those who fall in line last have been subjected to unfair competition and, until the nature of the deception is discovered by the public, many purchasers will be led into accepting articles which otherwise they would not have purchased.

The remedy for deceptive packaging, as in the case of misleading advertising, is the adoption in each trade of recognized standards for containers as well as for the quality of goods. The large majority in every trade would welcome the adoption of satisfactory standards, and later in this report we submit recommendations to that end.

3. SHORT WEIGHING.

One of the most unfair and flagrantly illegal forms of competition is that of short weighing. Consideration of this practice occupied much of our time and attention because of certain investigations made after allegations that it was widely indulged in by chain stores.

It was contended that short weighing in chain stores was not merely the malpractice of dishonest traders, but was due to a merchandising system which, unless special precautions were taken, inevitably lead to the defrauding of the public. It has long been recognized in the grocery field that in weighing out bulk commodities exact net weights will not be given in every case but that over a large number of packages the shortages and overages will balance each other. If, therefore, it is found in any store that the number of packages underweight far exceeds those exact or overweight, there is a presumption that the shortages are a matter of policy rather than of chance.

The evidence which has been gathered on the matter of short weights suggests that chain stores tend to have a higher proportion of short-weighted articles than independent stores for two reasons:

a. In chain stores a greater part of the bulk commodities are pre-packaged—i.e., put up in packages prior to the sale. There are a number of commodities which tend to lose weight because of shrinkage or drying out. This process of shrinking is greatly hastened when the goods are packaged in small parcels. Unless an allowance is made for this shrinkage when the goods are packaged, a great many of the parcels will have lost weight prior to sale.

b. It is the policy of some chain store companies to bill their individual units for the full quantity of goods shipped. Where no allowance, or inadequate allowances are made for loss in handling, shrinkage, waste, or other unavoidable losses, the managers, being responsible for all goods shipped, must either make up the losses out of their own pockets or short-weight or overcharge to balance their accounts.

In spite of the fact that the management of several chain store companies reported that shortages in stock were not charged to the store managers, there seems to be little doubt that, unless specific allowances are made for stock shortages, the store managers in some companies feel themselves under pressure to reduce these shortages by unethical practices. The evidence both of the extent of short weighing and of the reactions of employees to the system is too well established to be disregarded. When it is found that those companies which have established methods to check the weights of their pre-packaged goods and provide for unavoidable losses have a smaller proportion of short-weight packages than those companies which make no such efforts, there are grounds for believing that the adoption of similar methods by all chains would have greatly reduced the extent of this evil. That this was not done, suggests that these companies were either careless or criminal. That certain of them have changed their merchandising methods since our evidence on this subject is an indication that they have realized the unfortunate and reprehensible results of their previous policies.

4. MISLEADING ADVERTISING.

A final unfair competitive practice is that of misleading advertising. Where this involves misrepresentation it is unlawful under the Criminal Code. No agency, however, has been given the duty of enforcement, which is therefore sporadic and inadequate. The practice is defended by none, but wherever it develops, competitive emulation compels all to adopt an advertising policy which, if not technically misleading and illegal, is at least misleading in implication and extravagant in the use of superlatives. The subject is mentioned here because the practice reacts on the policies and practices of the advertiser's competitors. Its more extended discussion, however, is reserved for chapter viii, where it is considered in relation to the consumers' interests, which are most directly and adversely affected.

9. GENERAL CONCLUSIONS

It is difficult to compress into a few words adequate conclusions about so intricate and complex a subject as the organization and methods of wholesale and retail trade. It is difficult in any case, to generalize, since different types of organizations operate on distinctly different bases and the conditions in each field of trade differ fundamentally from those in others. Nevertheless it seems desirable to summarize certain conclusions at this point.

Large-scale distribution in its earlier development did undoubtedly make contribution to the economic progress of this country by helping to narrow the spread between producer and consumer, and by the introduction of new and efficient methods of merchandising. In recent years, however, as we have seen, steady and conservative growth was succeeded by a period of unwarranted expansion which nullified many of the benefits of the earlier developments and has resulted in charges that the mass merchandiser has become an obstacle to sound business progress.

This recent expansion has concentrated retail business in fewer and fewer hands. Although Canada has approximately 125,000 retail outlets, three of these accounted for 10·5 per cent of total sales; one alone for more than 7 per cent. In view of this, we think it is fair to say that these three stores occupy a dominating position in the retail field.

We have already stated earlier in this chapter that in our opinion this concentration is not likely to continue at the rate of the last decade, or to eliminate entirely the independent retailer. There are, indeed, some indications that these huge merchandising structures find efficient management difficult beyond a certain point of maximum development and that this itself may act as a check on their growth. We would add, however, that monopoly or quasi-monopoly in the vitally important field of retail distribution, could not be regarded by any Government with equanimity. A sound regard for the national interest could not permit two or three concerns to dictate the method of retail distribution in the country as a whole. In such a situation the Government would have to intervene, either through the application of the Combines Investigation Act, or through the utilization of the taxing power of the State to discourage the growth of multiple merchandising operations. This latter procedure might take the form of a graduated tax on all the units of a corporation, the tax increasing with the number of such units; or by assessing for income tax purposes, each merchandising unit of a single corporation. This latter procedure would have the effect of preventing the losses of certain branches being applied to the profits of others. In certain circumstances, this would not only increase the revenue which the State would derive, but would make competition between chain and department stores and independent merchants more equitable.

The concentration in retail distribution already achieved has had certain undesirable effects. Socially, it has meant that in approximately one-third of the retail business of this country, the personal factor has largely disappeared with the inevitable weakening of the ideals of service to the community, so long and honourably associated with the local independent store. That such a development has occurred in other phases of economic life, makes it none the less to be regretted in the field of distribution.

Economically, the unwarranted expansion in recent years in distributive, as in industrial organizations, has not contributed to the general welfare. As long as conditions were prosperous, the consequences of such expansion did not make themselves apparent, but since the advent of the depression, it has become clear that the existence of unwieldy merchandising concerns with an enormous burden of fixed charges and rigid expenses, has resulted not so much

in lowering the cost of distribution as in a bitter fight to maintain the position achieved by various methods, among which might be mentioned the exercise of mass buying pressure to force down the cost of purchases.

One result of this mass buying pressure and the unfair competitive practices we have already indicated, has been to demoralize business generally and to provide a means of exploiting the weaker manufacturer, the worker, and the primary producer. Certain of these practices, such as price discrimination, excessive discounts, secret and discriminatory rebates, unearned advertising allowances, discriminatory free deals, loss leaders as commonly used, are unfair in the economic sense. Others, such as deceptive packaging, misleading advertising, short weighting, are unfair in the ethical sense. All of them we unreservedly condemn.

We believe that the abuses of large-scale distribution can be prevented without interfering with its legitimate development. At the same time, we feel that this development is not legitimate if it is made possible only by unfair competitive advantages at the expense of the smaller and less favoured distributor. We are not condemning mass merchandising as such. It has in the past played and in the future, if certain reforms are brought about, may continue to play an important part in our developing economy. We are condemning, however, certain practices which we have discovered in our inquiries into this form of distribution. The problem of controlling these practices and remedying these abuses is part of the larger problem of business regulation generally. This question is discussed in a later part of our report. We therefore defer our consideration of specific remedial measures in respect to distribution until we reach that point.

CHAPTER VIII

THE CONSUMER

1. INTRODUCTION

In the 18th century when onerous restrictions in the interests of producers hindered the consumer at every turn in his effort to buy what he wanted or needed, progressive thinkers fought valiantly for his freedom to buy in the open market, where free competition in price and quality would ensure him the greatest return for his money. It was an age of small producers and small merchants, of few and simple products, and, in general, an age in which the consumer was well fitted to judge quality and value.

The old order has changed, and it has changed too rapidly for the exponent of *laissez-faire*. The handicraft industry of the 18th century has given place to machine production, and the simple fabrication of natural products to the synthetic production of industrial chemistry.

The structure of industry and merchandising has also changed. The partnership or joint stock company has become as we have seen, the great corporation of to-day. The personal relationships which existed between manufacturer and merchant and between merchant and consumer are disappearing. No longer are names and reputations so largely built up by years of service as they are by the insistent ballyhoo of nation-wide advertising.

The small retailer still persists, but his shelves are stocked with the pre-packaged goods of the large corporation, and the small manufacturer is frequently working only on a custom basis for his jobber or for a department or chain store.

2. THE POSITION OF THE CONSUMER

In the new alignment the consumer is at a disadvantage. It is true he has profited by economies in large-scale production, possibly from economies in large-scale merchandising and by the increased diversity in products presented for his choice, but in this new world of industry and trade *caveat emptor* takes a new and pertinent meaning. The buyer may still beware, but he no longer knows of what he must beware. Not only must he take on faith the quality and efficacy of his purchases, but as an individual and unaided he is at the mercy of the manufacturer and merchant whenever, by organization or agreement, they may wish to curb competition, which, according to the classical economists, was his chief protection.

If this were the whole of the consumer's case it would be strong, but evidence we have taken has further disclosed in manufacturing and merchandising the prevalence of practices inimical to his interests. Such practices include: false and misleading advertising and marking; misleading statements as to quality of products, including designation of grades of goods likely to confuse or deceive rather than inform the consumer; uncertainty of specifications and formulae of manufactured products; adulteration; substitution of cheaper or inferior goods; harmful or poisonous ingredients; exorbitant prices for essentially simple and inexpensive products, when sold under a brand or trade mark; short weight and unjust scales; and deceptive packages and containers.

Some of these practices are definitely illegal, others may be described as "unethical or unfair." Practices which would appear to be at least not

uncommon, the giving of short weight or the making of false statements, have ever been against the law.

The multiplication of commodities offered for sale, due in part to the advance of science and technology, and in part to the constant desire of merchants and manufacturers to present something new to the public, has so increased the complexity of business that the retailer himself frequently has no exact knowledge of what he is selling and the consumer is bewildered by the complexity and variety of goods. Commodities may be simple chemical products masquerading under trade names at exorbitant prices or they may contain harmful or injurious substances such as antimony in enamelware and lead weighting in silk.

With the multiplication of commodities has come also the multiplication of brands and trade names which often give no indication of the nature or quality of the product to which they are applied. Further, a trade name which has gained some public recognition may be continued in use when the product with which it is associated has been altered without notice. Manufacturers' and merchants' methods of marking and labelling are also confusing, and the private grades they use to designate different qualities of their products are frequently worse than useless.

The evidence presented revealed a variety of practices calculated to defraud and to mislead. Unwilling to accept this as a picture of general conditions without further verification we had a number of independent investigations made. These were undertaken both by officials of the Weights and Measures Branch of the Department of Trade and Commerce and by the National Research Council. Their results confirmed the evidence we had received and indicated that certain forms of deceit in merchandising which had been brought to our attention were widespread.

There would, therefore, seem to be a strong case for taking some action designed to protect the consumer against practices of this kind.

3. CONSUMER PROTECTION

1. INTRODUCTION

The various problems of consumer protection can only be dealt with effectively by a combined effort on three fronts, namely, consumers, trade associations, and government. Unless consumers are prepared to exert a reasonable discrimination in purchasing, nothing short of absolute paternalism can protect them. But they must be informed of the principles of merchandising and the standards of quality of goods they buy. We, therefore, regard consumer education as the most important and effective guarantee against illicit practices in trade. Few of the evils, disclosed in the evidence, by which merchants have been able to impose upon their customers could persist in the face of an active, intelligent and organized public opinion. The difficulty of consumer action is that it is not an organized or special interest and has no representation other than the state. It is, therefore, the function of government to pay special attention to the interests of the consumer. This does not preclude action by consumers themselves as individuals or groups. We would welcome organizations of consumers, either in co-operative purchasing organizations, or in organizations for the dissemination of consumer information, and we are of the opinion that every possible encouragement should be given by the government to the development of such organizations. These would offer valuable help to the government in the dissemination of information and in the policing of trade.

Consideration should also be given to the possibility of using the radio and schools in the work of consumer education. A step forward might be made by the teaching in schools of the simpler chemistry of food products and cleansers, the nature of textiles, and other common products, and the principles and working of household machinery.

Measures for consumer protection, it must be borne in mind, are not for the benefit of the consumer alone, but constitute a safeguard also for the honest and reputable manufacturer and merchant. Price competition can only operate fairly and equitably between products of known worth. Much vicious price cutting would be checked if the purchaser were informed in clear terms of the exact nature of the commodity or service. Instances were brought before us wherein the cheapening or adulteration of a product by one manufacturer had, in turn, forced a competitor to lower the quality of his product. When a manufacturer falsifies, adulterates, or degrades his product in such a way as to cause the purchaser to think he is getting something he is not, that manufacturer is imposing not only on the consumer, but is working harm to all other manufacturers who have to meet his competition. Similarly, the merchant who advertises a bargain sale of substandard goods without making it evident to the purchaser that the goods are substandard is working an injury to his competitors as well as to the purchaser.

Misleading advertising by one merchant works damage to the trade of all and provokes further falsification and misstatement. It is not necessary to labour this argument; it has been anticipated by trade associations in manufacturing and merchandising, which for years have been striving to develop and enforce codes of fair practice and competition. Experience has shown that self-regulation of industry and trade is often inadequate and that sometimes it loses sight of consumer interest. Much, however, has been accomplished, and it is to far-sighted trade associations that the government must look for much assistance in the elimination of unfair practices and the development of consumer protection.

2. RESULTS OF TESTS MADE BY NATIONAL RESEARCH COUNCIL

The necessity for consumer protection was made apparent by the results of the investigation carried out by the National Research Council at our request. These results should be briefly referred to.

The situation in regard to paint was revealed as being particularly bad. There would appear to be a quantity of inferior paint on the market, bearing the name of manufacturers who do not exist. Some samples of household paint were found to be exceptionally poor, liable to dusting off, and to rapid deterioration. The prices of these samples bore little or no relation to the quality of the paint. Instances were disclosed where paint was actually being adulterated with substantial proportions of water and excessive amounts of filler.

In the case of anti-freeze solutions, some were found likely to be injurious to health; others injurious to the engine. Many were greatly over-priced; calcium chloride solutions which cost a few cents being sold at high prices under trade names.

Cleaning fluids offered another example of a simple, inexpensive product sold at an exorbitant price under trade names which did not reveal the contents. An analysis of samples of soap revealed great variation in quality, due to high moisture content and adulteration by inert fillers.

Goods marked wool and cotton contained very little wool, while in goods marked silk and wool, the silk was entirely synthetic.

It was shown that wool products generally gave no indication as to whether they were made of virgin wool or shoddy. Samples of cotton goods purchased and checked by the Council also revealed an appreciable variation in the width of the cloth from that stated, the presence of a considerable amount of non-fibrous material, and of filler in materials advertised as free from filler. Discrepancies were also revealed between the advertising and performance with regard to shrinkage.

The investigation into silk goods indicated a condition far from satisfactory. Of twenty-four samples of silk purchased, sold with the indication that they

were pure silk, five contained no silk whatever; two only were pure unweighted silk, the remainder consisted of natural silk with varying proportions of inorganic weighting material. The amount of weighting in those so-called "pure silks" varied from 2.4 to 66.9 per cent. It is estimated that pure silk should not be weighted more than 25 per cent in order to secure the maximum service and lustre from the material.

The gasoline on the market was revealed by the investigation to be frequently much poorer in its quality than indicated by its advertising. But with one exception, no properly defined grades for this product have been established.

The practice of dyeing gasoline containing "ethyl fluid" has associated coloured fuel with the better grades, and some sellers of low-grade gasoline have introduced dyes in order to profit by this association.

One gasoline which claimed to exceed all others in "knock-rating" was in reality of a comparatively low grade. Not only may the motorist pay too high a price for falsely advertised fuel, but he may actually damage his engine by its use.

In respect to lubricating oils, the general lack of grading has permitted the growth of the sale of cheap partially refined oils, generally in unlabelled containers, which give no hint of the source or manufacturer. In Canada there are no standards, as such, of quality of lubricating oil with respect to its refinement and serviceability in an engine. While reputable oil refiners do undoubtedly guard the quality of their product in the light of the technical knowledge available, the practice of marketing unbranded oil has resulted in a growing sale of partially refined and inferior material carrying definite hazards to engines.

Tests of electric lamps on the market, the advertising of which appears to imply that they are guaranteed to burn for one thousand hours, revealed that of 27 Canadian lamps on test, 24 had burned out at the end of 861 hours, the average life of these 24 being 662 hours. Of the same number of United States lamps subjected to these tests, 19 had burned out in the same length of time, the average life of these 19 being 756 hours.

Two products of importance in building and construction were noted. It was found that a large part of the putty on the market is made with a proportion of mineral oil which seriously affects its setting and causes rapid deterioration, resulting in a product not suitable for outside glazing.

There are no nationally accepted standard grades of lumber in Canada. In some tests carried out by the Council it was found that in certain shingles "Grade 1" in Ontario corresponded to "culls" in British Columbia.

Finally, it was disclosed that although sterling silver is marked under the Precious Metals Marking Act, there is no standard marking for silver plate other than an indication of the base metal. The purchaser is not in a position to know the thickness or wearing quality of the silver coating. Samples purchased indicated that even the reputation of the seller is not a sufficient guarantee of quality. A great variation in quality, bearing little relation to retail price, was revealed in the articles tested.

3. METHODS OF CONSUMER PROTECTION

The above results show the necessity of protecting the consumer from unfair merchandising practices. For this purpose no great changes in the existing legislation are necessary. Some forty federal acts and numerous acts of the provincial legislatures contain provisions to protect the consumer. The legislative changes which we recommend in this chapter of our Report are little more than the further application of principles already laid down.

As a specific question we discuss first that of consumer standards. This is followed by adulteration, marking and labelling, weights and measures, and false and misleading advertising. Under each of these sections certain remedial suggestions are made.

a. Consumer Standards

The first essential of consumer protection is that the name of a product should have a definite and determinable meaning. Everyone will agree that the words "wool," "silk" and "silverware" should mean wool, silk and silverware, although it is evident that frequently they do not. These terms are fairly well defined in the mind of the purchaser. But there are many other products in general use, which are inadequately defined. Some examples taken from the evidence include gasoline, putty, jam, paint, and soap, products which can only be defined by technical chemists.

Manufacturers and other large scale buyers have been aware for many years of the necessity of definition and standardization of products and have developed systems of buying according to specification. In response to their needs, definite systems of grading have been developed. Similarly, most governments purchase according to specifications and this practice is being adopted by the Canadian government. The Purchasing Standards Committee, operating under the Research Council Act, has had the preparation of government purchasing standards in hand for some time, and a number of standards have already been tentatively adopted.

Unfortunately, little has been done either to develop standards for the information and protection of the consumer or to make available to him the standards prepared for the producer and manufacturer. There are, of course, certain exceptions, such as foods and drugs (though here the intention is rather to prevent the sale of harmful or poisonous substances than to develop informative standards), and the grading of canned foods. It is ironical that the best systems of grading introduced by legislation have been intended mainly for the promotion of export trade and for the protection of the foreign rather than the domestic consumer.

We, therefore, recommend the development of a system of consumer commodity standards by the creation of a Consumer Commodity Standards Board as a section of the Federal Trade and Industry Commission recommended later in this Report. The Chairman of this Board should be a member of the above Commission. There should also be represented on it, the Department of Trade and Commerce, the National Research Council and the other departments of the government having to do with the administration of the existing acts relating to standards and quality of commodities. In its work of establishing consumer standards this board should meet with the representatives of the industries and trades and of the consumer. Such a board would be in a position to co-ordinate the technical work of the departments represented and to advise the competent authorities on all matters relating to standards.

The work of the Commodity Standards Board would parallel that of the Purchasing Standards Committee recently set up to prepare specifications for government purchasing. This Committee consists of representatives of the National Research Council and of the government departments interested in purchasing. It has already issued a number of government purchasing standards for tentative use. It is anticipated that after a six months' trial period such standards will automatically come into force for all purchases of the commodities to which they apply.

It is further recommended that the functions of the National Research Council, as provided for under the Research Council Act, be extended to include the preparation of standards and specifications and the analysis and testing of consumer products, as suggested in this report.

The National Research Council, in its work of preparing government purchasing standards, has received the wholehearted co-operation of the manufacturers of the products it has investigated. We are strongly of the opinion that such co-operation, and the mutual discussion of problems which it permits, is in the best interests of the consumer, as well of the trade.

In the enforcement of such consumer standards as might be established, we recommend that the Consumers Commodity Standards Board be instructed to examine and report on products in retail trade. Evidence of non-conformity to standards set up, of harmful and injurious substances, or of excessive or exorbitant price spreads should be made public, either by the National Research Council or by the Federal Trade and Industry Commission. In cases of violations of the laws, assistance should be provided for prosecution by the competent authority under the relevant legislation.

A warning should be taken from the situation in the United States where, because of the fact that the Bureau of Standards is not permitted to publish names of products or of manufacturers, its whole service is of little use to the consumer.

The Research Council should be authorized to analyse or test any product presented to it by any person and upon which adequate information to answer the enquirer is not already available, and report (1) on the ingredients in so far as such information may be necessary to the proper use of the product; (2) as to any adulterants and harmful, injurious or deleterious substances it may contain; (3) as to its quality and probable performance and efficiency; (4) and as to its conformity to official standards and specifications. A nominal charge or one equivalent to the cost of analysis and testing, but not including overhead costs, should be made to prevent irresponsible enquiries.

The reports on all such enquiries are for consumers alone and it should be provided that none shall be used for advertising or commercial purposes.

In all its work in this connection and in the work of the Purchasing Standards Committee, the Council, and any other officers or agencies operating with the Council, should be in the position of professional advisers and should be rendered immune to libel action on account of any advice or information given in good faith.

b. Prevention of Adulteration.

The Food and Drug Act and certain acts administered by the Department of Agriculture, contain provisions prohibiting adulteration and degradation of quality of the products which come under their scope. Products not covered by these Acts may be adulterated with reasonable impunity so long as the manufacturer does not wilfully misrepresent his product in advertising or in the markings on the package or label, which would render him liable to prosecution under the Criminal Code. As we have seen, such adulteration is not uncommon.

Its prevalence can be attributed to two causes:—

- (1) lack of definition of trade names, and
- (2) inadequate enforcement of the existing law.

The latter is discussed later in this chapter, while mention has already been made of the inadequacy of definition of some trade names, even of products in ordinary use. Fortunately, however, one remedy for this is comparatively simple. It is to be found in Sections 488 and 489 of the Criminal Code, as amended 1933, which provides that:—

488. Every one is guilty of an indictable offence who, with intent to defraud, . . .

- (d) applies any false trade description to goods; or
- (e) disposes of, or has in his possession any formed trade mark, or any die, block, machine, or other instrument, for the purpose of forging a trade mark; or
- (f) causes or is knowingly a party to any such things.

489. Every one is guilty of an indictable offence who sells or exposes, or has in his possession for sale, or any purpose of trade or manufacture, any

forged trade mark or any goods, coverings, labels, or things to which any forged trade mark is applied, or to which any trade mark or false trade description or mark so nearly resembling a trade mark as to be calculated to deceive, is knowingly and without the assent of the proprietor of the trade mark, applied, as the case may be, or who causes or is knowingly a party to any such thing, unless he proves

- (a) that having taken all reasonable precaution against committing such an offence he had, at the time of the commission of the alleged offence, no reason to suspect that the genuineness of the trade mark, mark or trade description; and
- (b) that on demand made by or on behalf of the prosecutor he gave all the information in his power with respect to the persons from whom he obtained such goods or things; and
- (c) that otherwise had acted innocently.

It would be an easy matter to prove under this Section before a Court, that celluloid is not ivory, nor britannia metal, silver. Glass beads cannot be passed off with impunity as crystal, or if coloured, as precious stones. It is a simple matter of definition, yet many names of products are uncertain in their exact meaning. At what point in the addition of foreign matter does paint become ordinary mud?

To some extent usage has already established in industry and trade a number of definitions of names of products, for example, in lumber and in the petroleum industries, but none of these have been either formally or nationally established.

The situation in our opinion calls for the establishment of a certain minimum standard of quality and performance (quite apart from the setting of grades and standards) below which any product ceases to have the right to the name and becomes something else, and its sale under the recognized name becomes, *ipso facto*, misrepresentation within the meaning of the above mentioned section of the Criminal Code. We, therefore, recommend that the National Research Council, in co-operation with other important departments of the government and with the trade associations in each line of industry, be instructed to compile a dictionary of trade names of products which shall be accepted in all commercial transactions in courts of law.

c. Marking and Labelling.

A number of irregularities in the marking and labelling of products were brought to our attention. They ranged from complete and definite misrepresentation and false statement to various forms of implication, all of which might be calculated to deceive the purchaser.

One form of misrepresentation is that of fictitious company names on labels. Leather goods of poor quality adulterated with paper, fibre or other substitutes, are seldom marked with the true name of the manufacturers. Samples of adulterated paint of very inferior quality, analysed by the National Research Council in their survey, were found to be marked with the name of a manufacturer who did not exist. This is definitely an unfair practice and may legitimately be branded as deception. It is to be distinguished from the practice of manufacturers of having two or more registered brands which indicate a difference in quality or finish. A manufacturer who fears to put his own name on a product which he puts out is certainly to be suspected of intention to deceive and the product so marked must be suspect. It is our opinion that the registered name and place of business of the true manufacturer of a product should be required upon the label or package going into retail sale, whether the product is sold under his brand or not.

The development of consumer standards requires the parallel development of an adequate system of marking of products. In the United Kingdom the terms "British Standard" is authorized on products conforming to the specifica-

grades

tions of the competent body. It is recommended that the term "Canada Standard" be adopted for products conforming to the standards and specifications published by the National Research Council, and that its use should be authorized only in conjunction with the true designation of the product to which the standard applies.

Products, both manufactured and natural, which may vary in quality should be graded, and the grade designation should accompany the term "Canada Standard" on the label when such products also conform thereto.

A survey of grading indicates that, while in grading for manufacturers of materials and products which do not go directly to the consumer, simple, numerical designations are commonly used, the grade designations of consumer goods are often such as to make it appear that their purpose is to conceal rather than disclose the true quality. Nowhere are simple numerical grades used for consumer products, and even in one of the best grading systems, that of canned foods, the grade names do not indicate in themselves the position of any one grade in the series. These designations are "fancy quality", "choice quality", "standard quality" and "second quality"; "second quality" being, in fact, fourth grade.

It is recommended that all grade designations be numerical, as grade 1, grade 2, etc. Should this prove impossible for some products, alphabetical grades might be used, as with eggs for export trade. Under no conditions should more than one grade be permitted above grade A, and if one is allowed, it should be retained for a very small percentage of the product. Should it be desired in exceptional cases to permit a special top grade in the numerical system of grading, provision might be made for the use of the designations "number 1 special" and "number 1 standard." The grade designation should refer only to the quality of the product and distinction of size should be shown independently of the grade designations. This is already true of canned peas, the sizes being indicated by a number.

Further, grade and standard designations should be unmistakeable. They should be clearly printed on the label in such a type and colour as not to appear as part of the brand name. Some producers of canned goods in Canada have successfully obscured the grade designation by making it appear as part of the brand name of description of the contents, for example "Standard quality"

Standard

may be printed in such a way as to read Quality Product.

In connection with marking and labelling legislation, the question arises as to what extent information concerning the nature of ingredients and products should appear on the package or label. Certain acts, such as the Fertilizer Act, administered by the Department of Agriculture, require the setting forth of the analysis of the contents of the package. We are of the opinion that any products, whether foodstuffs or not, of which knowledge of the ingredients or formula is necessary to their proper use, should bear a statement of the analysis or of the percentage of the more important ingredients. Examples of products on which information of this sort is desirable are textiles, especially woollens, silks and mixtures, cleansers, cleaning fluids and soaps, and chemical products in general. The Commodity Standards Board, in the setting of consumers' standards, should be instructed to determine what relevant information should appear as to the nature of contents, and regulations for such appearance should be made part of the requirements concerning the marking of grades and standards.

It is further recommended that consideration be given to the amendment of the Trade Mark and Design Act to make it a condition of registration of a trade mark or brand name, that the commodity to which it is to apply be adequately marked and labelled in accordance with the principles set out above.

d. Conclusions

In making recommendations under the three preceding sections, we have attempted to lay down general suggestions, rather than to encroach on the field of the technician and scientist by attempting to state in detail the exact form these measures should take or to what specific commodities they should be applied. Nevertheless, in view of the situation disclosed by the evidence in certain particular fields, we venture to suggest that the work of definition, labelling and the establishment of consumer standards of quality might begin with the following:—

- Textiles, especially wool and silk mixtures of wool and silk with other fibres;
- Clothing, with particular reference to the quality of the cloth;
- Meat and dairy products;
- Fish and fish products, especially with reference to marking and labelling of fillets;
- Petroleum products, especially fuel oil;
- Gasoline and lubricating oils;
- Paints, varnishes and enamel;
- Electrical appliances and light bulbs;
- Soaps, cleansers and cleaning fluids;
- Silver plated ware, to indicate thickness and quality of plating and chromium plated ware;
- Leather goods and footwear;
- Flour and bread.

We suggest that the determination of other commodities as suitable for the application of consumer's standards might be left to the Commodity Standards Board in co-operation with the departments of government concerned, especially the National Research Council. The criteria in such determination might, as far as possible, be the extent to which a product goes into everyday use, the proportion of the average consumer's income spent on it, and the existing situation as to quality. Where a standard exists which can easily and conveniently be utilized as a consumer standard, this should be adopted immediately.

We realize, of course, that in the extension of this service to the consumer there will be technical difficulties to be overcome. We merely mention in this connection that standards of quality cannot be absolute or perfect. They are not for the use of the scientist but for the information of the general public and all that is required is that the consumer be given a reasonably clear idea of the nature and quality of what he buys.

4. WEIGHTS AND MEASURES

a. Weights

The question of short weight has been referred to in a previous chapter of this Report. We deal with it here as a fraud practised against the consumer and one against which existing measures of protection are inadequate.

The offence itself is either the result of short weighing on just scales or the distortion of the balance of scales to make them unjust. Both practices are illegal, under Sections 63 and 64 of the Weights and Measures Act. They are also covered by other acts.

One of the most common methods of infringing the Act is by including the bag or wrapper in the weight of the article. Indeed, it was represented to us by certain witnesses that the requirement that the weight of goods sold should be in every case the net weight was difficult to observe and worked an undue hardship on the merchant.

While endorsing the principle of net weight and measure as the only just basis for the conduct of trade and as in nearly every case entirely practicable,

we feel that an exception might be made in the case of bulk goods sold over the counter. The modern type of scale in use in most shops makes it difficult to allow for the weight of the bag. Only with equal-arm balance which permits the placing of an empty bag in the weight pan, is it easy to make an exact allowance.

The inclusion of paper bags or wrappers in the weight of bulk goods sold over the counter and weighed by the merchant at the time of sale, is of no great importance and might be permitted without any great harm, but only if standards of weight of paper bags are prescribed by law as in the United Kingdom. We therefore recommend that necessary changes be made in the legislation to permit this—the maximum weight of bags being fixed by Order in Council in relation to the weight of the contents.

The prevalence of the practice of pre-packaging has introduced a new problem in connection with weights—that of shrinkage. The problem, we believe, can be dealt with along the lines of a suggestion received from the National Research Council that is, in the case of any product liable to shrinkage through evaporation, the "net weight" should be interpreted as the anhydrous weight, or should bear some definite relation to it. Were this so, the merchant charged with short weight as a result of shrinkage due to evaporation, could easily prove by a simple test of moisture content that the goods were correct in weight and had lost only in moisture. Standards of moisture content for all such commodities should be determined by the competent department of the government and published by Order in Council. This provision should not apply to goods sold in bulk over the counter, but only to packaged goods put up either in the store in advance of sale or by manufacturers or wholesalers.

But all short-weighing is not a result of shrinkage or beyond the control of the merchant. The evidence disclosed that the deliberate commission of this offence is a serious and widespread practice. It appears to have become more common in recent years as a result of low prices, intense competition, and the merchandising systems of certain chain stores.

Indeed, the practice now appears to be so widespread that the urgent need for more effective supervision and more frequent investigations and prosecution is evident. The number of inspectors in the Weights and Measures Inspection Service is too limited to provide this more effective supervision, and we recommend, therefore, that steps be taken at once to rectify this situation by strengthening that branch of the Government service. Penalties for breach of the Act should also be made more severe. In the final chapter of this Report further suggestions are made as to the administration of the Weights and Measures Act.

b. Measures and Containers

Evidence also disclosed the prevalent use of non-standard sizes for packaged and canned goods, with the apparently deliberate intent of deceiving the purchaser by making him believe that he is receiving more in weight or volume than the package really contains. False bottoms in fruit boxes and wine bottles have long been the custom and are so well known that the purchaser, although annoyed, is no longer deceived. Modern methods are more subtle. Packages, jam bottles and cans are devised to deceive the eye and to appear to contain even pints, quarts or pounds when, in fact, they are several ounces less. The geometrical fact that the cone has only one-third the volume of the cylinder of the same height and base has been fully exploited in the designing of bottles and jars.

This has become one of the commoner methods of unfair competition. The consumer, reading an advertised sale of packaged goods, "large size," expects to receive a pound and in fact received perhaps, 14 ounces. Such practices unfortunately enjoy legal sanction provided the packages are marked with their net contents as provided by the Food and Drug Act and the Meat and Canned Foods Act.

Something has been accomplished by the standardization of sizes and contents of cans under the Meat and Canned Foods Act, but it only touches the margin of the problem. The variety of non-standard containers for food products alone is completely bewildering, as such containers are permitted under the Act provided they show the net volume or weight of contents. We are of the opinion that the marking of the contents alone is insufficient protection to the purchaser in view of the prevalent use of sub-standard containers, especially by chain stores.

It is our opinion that legislative provision should be made for the standardization by Order in Council of the quantities in which any packaged commodity, whether a food product or not, may be sold. The situation with regard to non-standard containers used in the packaging of some commodities other than foodstuffs is quite as misleading to the purchaser and requires remedy. Of these soap and paints are good examples. We feel also that whether or not a packaged commodity is required to be sold in standard quantities, the net weight of the contents should be clearly and conspicuously marked on the package which goes into the hands of the consumer.

With certain exceptions which are referred to below, both the above provisions should be applied to food products. The provision for the marking of net contents on packages should apply to all goods, whether food products or not, packaged by the manufacturer, wholesaler, or retailer on his own premises in advance of sale, the only exception being bulk goods sold over the counter and weighed in the presence of the customer.

It is suggested that for most foodstuffs sold by weight, packages and containers should be permitted only for quantities of 2 ounces, 4 ounces, 8 ounces, 1 pound and multiples thereof; and by volume for quantities of $\frac{1}{4}$ gill, $\frac{1}{2}$ gill, $\frac{1}{4}$ pint, $\frac{1}{2}$ pint, quart and multiples of the quart up to a gallon, gallon and multiples of the gallon. These are the sizes authorized at present under the Meat and Canned Foods Act, and for goods packed in these quantities under existing legislation, the weight or volume need not be shown on the package. Under the recommendations above, however, such weight or volume would be shown on the package.

One of the chief difficulties in the way of standardization of contents of containers of goods sold by volume are importations from the United States packed in United States wine measure or United States fluid ounces, and from European countries packed under the metric system of weights and measures which are different to Canadian measure and not provided for by Canadian law. It is our opinion that a distinction must be made in the legislation between products in ordinary use commonly imported into Canada in quantities, and specialty products imported only in small quantities and not widely sold. Soaps, cleansers, household paints and varnishes, and the commoner varieties of canned foods are examples of the first group; and artists' colours, and caviar of the second. Foreign manufacturers of the commoner products enjoying a reasonably large and continuous market in Canada should be required to pack in the standard Canadian containers, but it would be unfair both to the foreign manufacturer and to the Canadian consumer to apply this legislation to specialty products imported in small quantities for resale, or any products imported by the consumer thereof and not intended for resale. We therefore recommend that the regulations proposed above apply to all imported goods, exceptions to be provided for regular importations or importations not intended for resale. In all cases where importation is permitted of goods in non-standard containers the Commissioner of Customs shall ascertain before delivery from customs that they are legibly and conspicuously marked with the true weight or volume in Canadian weights or measures. It is suggested that the wording "non-standard weight (or volume) equivalent to . . . Canadian measure" be employed. It is not the intention that the required use of Canadian standard weights and

measures in the packing of imported goods should be employed in any way as a form of protection for Canadian industries and the Commissioner of Customs should be so instructed.

Certain exceptions to the proposed regulations were mentioned above. These may be specified here. It is felt, for instance, that specialty food products not sold in large quantities, as distinct from staples, might, at the discretion of the competent authorities, be exempted from the requirement to use only standard size containers. A further exception might be made for pre-packaged goods commonly sold at 10 cents or less, characteristic of variety stores. Such an exception might be made without seriously affecting the general proposal for standardization of containers and contents. If adopted, it should be provided that containers should be marked legibly and conspicuously with the words, "10c. package, non-standard, net weight ounces."

5. FALSE AND MISLEADING ADVERTISING

Another unfair practice, also discussed previously, and which has a harmful effect on the consumer, is false and misleading advertising. The publication of such advertising is an offence under the Criminal Code, but it appears that the difficulty of prosecuting in the Courts and the delay which often attends legal action makes this form of control too cumbersome to be effective.

There are, however, many unfair types of advertising which are not illegal. In saying this, we do not necessarily condemn a certain exaggeration, "harmless puffing," which is and always has been a normal consequence of the effort to sell goods and which cannot be prevented, even if it were desirable to make the attempt.

In a different category is that advertising which, while remaining within the letter of the law, does possess a deliberate intent to confuse and deceive, and, as such, is harmful both to the competitor and the consumer.

An outstanding case of such advertising was brought to our attention in connection with the sale of overcoats by a department store. A small number of high-grade overcoats was included in a sale of much lower quality garments. The intention seems to have been to attract public attention by using the few high-quality garments as a bait. While no deliberate untruths were published, an implication was given that the bulk of the garments offered in the sale were of like quality to those featured. Since the average consumer has little skill in judging the quality of garments as distinct from style, the result of such advertising would seem to be that of leading purchasers to believe that they were securing far better garments than were actually retailed. To a merchant attempting to give honest value, such tactics would clearly affect his trade as prospective purchasers would tend to compare the inflated values in the misleading advertisements with the actual values of the fair trader, to the detriment of the latter.

Responsibility for the current deplorable conditions in the advertising field must be placed partly on the intense competitive warfare of the last few years, in which the mass merchandisers have played a leading role, and partly on the unrestrained exuberance of the writers of advertising copy.

Such exuberance eventually defeats its own end by destroying consumer confidence in the validity of all advertising. Indeed, some of the more astute advertising concerns have realized this, and now often couch their statements in moderate language, though this does not always mean that such statements accurately represent the goods.

Responsibility for misleading advertising must, however, also be attributed to the failure to establish recognized quality grades in the sale of goods to consumers, and is, therefore, directly related to recommendations already made in this chapter. The two factors together, extreme exaggeration by the advertiser and the inability of the consumer to judge quality, have resulted in a complete divorcement between price and quality in many lines.

The removal of these abuses of advertising would appear to depend, then, on two things; the adoption of strict advertising ethics and the development of grades of quality for consumers' goods. Meanwhile, we feel that the present legal situation might be strengthened by an amendment to Section 406, sub-section 2, of the Criminal Code as amended in 1933:—

This section reads:—

Publication
of false ad-
vertisements
to promote
sales, etc.

(2) Every person who publishes, or causes to be published, any advertisement for either directly or indirectly promoting the sale or disposal of any real or personal, movable or immovable property, or any interest therein, which contains any statement purporting to be one of fact which is untrue, deceptive or misleading, shall be liable upon summary conviction to a fine not exceeding two hundred dollars or to six months' imprisonment, or to both fine and imprisonment: Provided that any newspaper publishing any such advertisement accepted in good faith in the ordinary course of its business shall not be subject to the provisions of this sub-section: Provided further, that in any prosecution under this subsection the case may be dismissed if it be established to the satisfaction of the Court upon proper evidence that the accused acted in good faith.

The last provision of this section is held greatly to weaken the effect of the act. While the newspaper publishing a questionable advertisement should undoubtedly have some protection when there is no possibility of the publisher knowing the full details of the product advertised, it is the business of the manufacturer and seller to know the product he makes or handles. It is especially the business of the manufacturer to do so. It should clearly not be possible to a manufacturer to establish that he acted in good faith when it is proven that he mis-stated the ingredients, quality or performance of his product. We, therefore, recommend that this section of the Code be amended by the deletion of the sentence:—

Provided further that in any prosecution under this subsection the case may be dismissed if it be established to the satisfaction of the Court upon proper evidence that the accused acted in good faith.

The deletion of this sentence does not preclude the exercise of judicial discretion where it is definitely established that the defendant had no intent to mislead and could not have been expected to know the full facts about the product advertised. This is the ordinary protection assured in our system of law, and inclusion of this sentence in the Code appears to have been taken by the courts as an instruction to interpret "intent" in a particularly broad way.

It is understood that this section of the Code is intended to cover all forms of public advertisements whether in the press or by any sign, poster, or bill-board, or on the label or package of the product itself.

We are also of the opinion that statements of performance, life, or efficacy of products are generally made with uncertain knowledge and seldom on the basis of comparative experimental tests. In the field of medicines and drugs such statements are subject to the control of the Pure Food and Drug Act and may be left to the jurisdiction of the department enforcing that Act. Similarly, statements concerning the efficacy or performance of certain products used in agriculture or animal husbandry are subject to the jurisdiction of the Department of Agriculture. Other than this, almost any statement concerning performance or efficacy may go unchallenged unless or until a successful action is brought under the above-mentioned section of the Criminal Code.

Reference has been made to tests of electric lamps made by the National Research Council at the request of the Commission. Certain manufacturers in their advertising of electric lamps have given the impression to the public that certain of their lamps are guaranteed for a life of one thousand hours.

Inquiry has, however, elicited the information that this guarantee is not intended by the manufacturers to apply to length of life on commercial circuits under ordinary operating conditions.

We, therefore, recommend that this section of the Criminal Code be amended to make any statement or guarantee of performance, efficacy or length of life of any product, which is not based upon an adequate and proper test of such performance, efficacy, or length of life, an offence in itself, and to place upon the defendant the burden of proving that such a test has been made and that the statement or guarantee is based upon it. A test by the National Research Council or other competent department of the government shall be considered an adequate and proper test, but no reference should be allowed in advertising to the fact that a test has been made by the National Research Council or other government body.

In the enforcement of this section of the Criminal Code the services of the Federal Trade and Industry Commission, recommended in Chapter IX, would be most valuable to the public and to trade organizations. Under the present conditions it is frequently impracticable for an independent merchant or even a retail merchants' association to institute either civil or criminal action against a powerful offender, although they may find their trade seriously damaged by his misleading advertising. The position of the consumer is even worse. The costs of a civil action to secure a refund on goods misrepresented in advertising or at the time of purchase is likely to be more than the value of the goods.

6. CONCLUSION

In recommendations under the preceding sections we have made no mention of questions of jurisdiction, either federal or departmental.

In respect to the former, weights and measures, fraudulent practices and the regulation of the sale of drugs and foodstuffs are definitely within the competence of the federal government. In the matter of standards and grading the jurisdiction of the Federal Government may be held to apply only to commodities in interprovincial trade. It is believed, however, that the advantage to manufacturers and distributors of official indications of quality and grade on the products they manufacture and sell will commend the system to most of them; that it will be welcomed by reputable business firms, and that its widespread voluntary adoption may confidently be anticipated in those fields where the federal government may not have jurisdiction. Furthermore, it may be held that once the trade name of a product has been defined by federal regulation, then the selling under this name of goods which do not conform to the definition established would be a violation of the law. If this position is constitutionally sound, then the way is open for effective federal action in this field.

In so far as questions of departmental jurisdiction are concerned, it is recognized that there is at present a certain amount of division of authority, with acts affecting the consumer under the administration of various departments of government. This is, of course, unavoidable and it is not suggested that there should be complete centralization. It does, however, make enforcement more complicated, and possibly less effective than it might be otherwise. Enforcement remains, of course, the most important aspect of the question. No new laws or changes to the old will help the consumer in the slightest degree without proper enforcement. One of the difficulties in this connection is the lack of an adequate interested authority, able and anxious to lay information and institute prosecutions.

For this reason we feel that the proposed Federal Trade and Industry Commission should have as one of its most important duties the general supervision of the whole field of consumer legislation and should act both as a co-ordinating and, on occasions, as a prosecuting agency in the enforcement of such legislation.

CHAPTER IX

THE PROBLEM OF STATE CONTROL

I. THE NATURE AND SCOPE OF THE PROBLEM

It is now necessary to consider, in general terms, the whole problem of the social control of business. Throughout the previous discussion various specific remedial measures have been suggested. This chapter tries to put all these and other remedial proposals in their proper perspective, by relating them both to the general experience of governments in the field of business regulation and also to what we believe should be the proper policy of public control. With this end in mind—before proceeding to our general recommendations in this chapter—we discuss, first, the general nature of social control; second, the general methods of state control; third, historical experience with state control here and elsewhere; and, fourth, the objectives and limitations of our proposed program of state control.

1. THE NATURE OF SOCIAL CONTROL¹

At no time in history have economic activities ever been completely free from social control. For centuries it has been recognized that there must be some state mechanism for supervising contending economic rights and interests. In mediaeval and early modern times, this control was far-reaching in character, but too often was exercised in the interests of a ruling minority and hence grew more and more oppressive to the people as a whole. The wide acceptance of nineteenth century laissez-faire individualism was in considerable measure a reaction against these narrow and restrictive measures of mediaeval economic control, which, in varying degrees, survived until the early nineteenth century. In fact, the main work of laissez-faire in the last century was destruction. As the great master of the English classical economists, John Stuart Mill, wrote in 1833:

That principle, [laissez-faire] like other negative ones, has work to do yet, work namely of a destroying kind; and I am glad to think that it has strength left to finish that, after which it must soon expire . . .

In the prosecution of that work, laissez-faire naturally seemed to imply an absence of regulation, but the implication is not entirely justified for even nineteenth century individualism had within it the elements of control. It was control, however, which, within the limits set by certain formal institutions—the legal rights of persons, free contract, and private property—was based on the self-regulating power of simple competition working automatically through supply, demand, and price.

The great economists of the last century developed the doctrine that economic liberty and simple competition would stimulate efficiency, distribute capital and resources to their most profitable uses, and thus encourage the production of the maximum real income of goods and services. They further contended that the pricing of these goods and services by "supply and demand" would distribute income to the factors of production at such rates of wages, interest, profits, etc., as would maintain a relatively stable economic equilibrium. No economist, however, was ever blind to the complex nature of this theory. All were well aware of the limits of its practical application. All of

(1) See J. M. Clark, *Social Control of Business* (Chicago, 1926); D. M. Keezer and S. May, *The Public Control of Business* (N.Y. and London, 1930).

them not only conceded, but even insisted, that in certain circumstances of imperfect competition, some measure of state intervention had to be substituted for laissez-faire. And so we find that, at the very height of individualistic reliance on "economic law," it was found necessary to pass Child Labour Acts, Factory Acts, and other similar measures, in order to supplement the unsatisfactory operation of economic forces by deliberate legislative control of employment and other conditions.

Individualism has, indeed, never been completely realized. If it is realized less than ever to-day it is because of the gradual substitution in our economic structure of "imperfect" for "simple" competition. This development, as we endeavoured to show in Chapter II, is the fundamental cause of many of our present business problems, and its significance must be appreciated in order to understand the theory on which government intervention in business may be justified. Economic individualism was based on simple competition, and with that basis largely removed, it is perhaps not unnatural that governments in modern times should have intervened by legislative enactments, which affect almost every phase of economic activity. Under present conditions, then, the question is not intervention or non-intervention, but merely the nature and extent of intervention.

If it is accepted that individualism itself has never been free from some form of social control, and that economic theory has never supported such freedom, then the question of the violation of economic laws" does not arise in its conventional use as an argument against every proposal for government intervention. It is true, of course, that the economic nature of things may set limits beyond which conscious intervention in economic activity may not succeed. No power can enrich a nation that is poor in natural and human resources. It is also true that unwise measures of conscious control may do more harm than good. Nevertheless it should be emphasized that governmental and other forms of public control do not stand helpless before inexorable laws of supply and demand.

The strongest case for individualism rested in its promise of "the greatest good of the greatest number" and in its real achievement of increased production, with a relatively small outlay of effort to control a largely self-regulating economic machine. We have cited much evidence which indicates that the growth of imperfect competition profoundly modifies the terms in which this argument can now be realistically phrased. We are convinced that certain forms of intervention are likely to be less expensive than the wastes of goods and of life that the collapse of the economic system, even if it still retains recuperative power, periodically occasions. We believe, however, that the loss of political freedom and individual liberty would be too high a price to pay for the automatically planned economy of state capitalism, fascism, or communism (even if they should achieve their avowed economic goals), and we are confident that it is still within the capacity of Anglo-Saxon nations to work out a system of social control in which freedom can be preserved without economic paralysis, and in which, without dictatorship, production can be made less unstable and the distribution of wealth and income less unequal and less inequitable.

The task of government intervention is, first, to select an objective or goal and, second, to discover by what means of adjustment to economic circumstances and law that goal may best be reached at the minimum social cost.

Before further analysis of what we regard as an acceptable social objective, a generalized summary of the types of government intervention which have developed in our "competitive" society, may be inserted.

2. METHODS OF PUBLIC CONTROL

a. The Protection of Private Economic Activity.

Even under the most extreme development of laissez-faire individualism government retained important economic functions. At the very minimum—by

maintaining order, providing or supervising the provision of currency and credit, protecting private property, and enforcing contracts—it created the framework within which private business enterprise was permitted to work.

b. The Promotion of Private Economic Activity

These minimum purposes of government were soon expanded in a more positive fashion to promote, stimulate, or assist private business. By general education, governments endeavour, among other objectives, to make available a supply of efficient labour; by tariffs and subsidies, to stimulate particular activities; by consular and other services, to discover markets; and by scientific industrial and statistical research, to improve efficiency. The Tariff, the work of the Department of Trade and Commerce, and of the National Research Council are typical of this sort of activity in Canada.

c. The Encouragement of Monopoly

Governments also encourage private enterprise by granting franchises, patents, copyrights, etc., which sanction certain types of private monopoly.

d. Licensing

Certain businesses and occupations are regarded as being so peculiarly “affected with a public interest” that they may be pursued only with express governmental permission in the form of a licence. Lawyers, doctors, and more recently, plumbers and electricians, provide typical examples of occupations so controlled. Occasionally, as in the legal and medical professions, a large measure of regulatory power is delegated to the professional associations themselves, which often utilize this authority in a quasi-monopolistic fashion.

e. The Protection of the Public from the Excesses of Competition

The positive activities previously mentioned have been supplemented by certain negative measures designed to protect special groups from possible consequences of unrestrained competition. The intention is not to impair competitive vigour, but to require that competition shall not lead to the violation of certain minimum standards. In the interest of wage-earners, consumers, investors and the general public, there have been developed extensive codes of labour legislation, pure food and drug acts, banking, insurance and securities regulation, and other laws for protection of public health, safety and welfare.

f. The Prohibition of Monopoly and Maintenance of Compulsory Competition

The five types of activity previously mentioned are not considered seriously to impair the private character of business operation. A more serious breach with individualism develops when government attempts to turn back the tide of industrial monopoly by outright prohibition. The Canadian Combines Investigation Act and several American anti-trust laws forbid monopoly and endeavour to enforce competition by various criminal and civil penalties. A Standard Oil company, however, may be formally unscrambled into its separate constituents, but it is open to question whether these can be compelled effectively to compete. These laws further are directed most specifically against conspiracies or combinations that seem unreasonably monopolistic. They have been applied only with difficulty, if at all, to single concerns which have grown to a size that facilitates monopolistic domination.

g. Government Acceptance of Monopoly with Regulation

In certain fields, particularly those of public utilities, governments have recognized the impossibility of enforcing competition and, more recently, the positive desirability of monopoly. In 1887 the American Inter-State Commerce Commission Act flatly forbade “pooling”; in 1920 it was amended not only to permit but almost to compel “consolidation” of railway lines. In 1887 the Commission was given power to fix maximum rates to prevent exploitation of

shippers; later, to fix minimum rates to prevent cut-throat competition. To-day it has authority to regulate rates, service, expenditures and investment, not only of railroads but of many other related businesses. A similar development has taken place in other countries and other utility fields. To this extent governments may be said to have accepted monopoly as inevitable and to have undertaken to regulate it completely.

h. Government Toleration of Monopolistic or Quasi-monopolistic Industrial Combinations

Less usual in Anglo-Saxon countries is the policy of tolerating or encouraging various types of business and industrial associations, commonly called combines or cartels, to which are permitted or given, powers of "industrial self-government." These may vary in type from the simplest cartel, the members of which agree only to uniform terms of sale, to the cartel which, through a central selling agency, completely controls production, prices, and marketing. In policy, they similarly vary from mere avoidance of competitive waste to the complete exercise of monopoly power. In scope, they range from regional through national to international arrangements.

The English common-law rule that contracts in restraint of trade are not enforceable, supplemented by various statutory prohibitions, has prevented any marked development of cartels in Anglo-Saxon countries, where monopoly develops chiefly through outright consolidation. In Germany such contracts are valid, and cartels found therefore no legal obstacle to their voluntary development. Furthermore, in Germany, Italy, Russia, Spain and Roumania certain compulsory cartels have been established by government decree. Special laws, particularly in Germany, 1923, and Norway, 1926, have been passed to grant cartels express powers and to provide for their registration, inspection and regulation.

Canadian law has restricted possible cartel developments in this country. Nevertheless, only a slight stretching of the definition would be needed to describe the Rubber Footwear Manufacturers' Association as a national cartel, and certain electrical or aluminum manufacturing firms as members of international cartels. A few organizations, formed for export purposes, such as the Newsprint Export Manufacturers' Association of Canada, could also be called cartels. Monopolistic export associations, however, do not come within the prohibition of the Combines Act.

Until recently, cartels were few and illegal in the United States. In 1918, however, the Webb-Pomerene Act specifically legalized monopolistic combinations for export purposes, while the passage of the National Industrial Recovery Act, July, 1933, provided, in effect, for the cartelization of all industry. In law this cartelization is voluntary, in fact, it has been compulsory.

i. Public Ownership and Operation

The extreme example of government intervention is where the government engages directly in the ownership and operation of business enterprise. Government ownership and operation of postal services, schools, and roads provide some of the oldest examples. In violation of extreme individualistic theories, governments nearly everywhere have taken these enterprises out of private hands, sometimes simply because private enterprise could not profitably supply satisfactory service, sometimes because it did not operate to produce maximum social welfare. Public ownership for a variety of reasons—to provide a competitive check on private enterprise, to supplement ineffective regulations of monopoly, to control consumption, to provide revenue—has continued to expand until a world survey of such ownership to-day would include every type of economic activity. In Canada governments are directly engaged in such businesses as

railways, steamships, street railways, telegraphs, telephones, radio, electric light and power, water, gas, stockyards, grain elevators, public markets, liquor sales, banking, and insurance.

These apparently conflicting methods of government intervention in economic activities represent in part confusions in social policy. In part, however, they are the inevitable outgrowth of the pressure of economic circumstances and are to be expected in any program that attempts to adjust itself to changing conditions. Their development in practice may be explained by a brief historical survey of government regulation of business both in Canada and abroad. In this survey, which may provide some guidance for Canadian policy in the matter, special reference will be made to the problems of the regulation of monopoly and the control of competitive activity.

3. GOVERNMENT REGULATION IN VARIOUS COUNTRIES

a. *The United Kingdom*⁽¹⁾

The classical land of economic liberalism has gone very much further than is generally appreciated in the modification of its traditional policy of non-interference in business. Unlike the United States and Canada, England, as we have seen, carried the doctrine of *laissez faire* to the logical extreme of not attempting any artificial enforcement of competition. She believed that the common-law rule that contracts in restraint of trade were not enforceable, plus the absence of tariff protection and of any monopolies based on limited supplies of natural resources, would serve effectively to protect the public from monopolistic developments. In fact, however, *laissez faire* in the field of competition seems to lead almost inevitably to such developments. England, herself, despite her especially favourable circumstances, provides some remarkable examples of this fact. These, however, have nearly always taken the form of some sort of outright fusion rather than any loosely organized pool or cartel.⁽²⁾

The combination movement in England did not attract very much attention until shortly before the War. In 1919 the Parliamentary Committee on Trusts found a danger that monopolies might soon "exercise a paramount control over all important branches of the British Trade," and recommended the establishment of machinery like that of Canada and the United States for the investigation of the trust problem. No action, however, followed this recommendation which was controverted by the report of the somewhat similar Balfour Committee on Industry and Trade in 1929. The Balfour Report voiced the growing sentiment that even monopolistic combination might be economically desirable, if effectively supervised.

It is necessary to note that in 1925 England formally abandoned her traditional free trade policy. Closely associated with this, was the development of a definite policy of industrial reconstruction by rationalization with government permission and assistance. Under the Coal Mines Act of 1930, the entire industry was put under the regulation of a central council with seventeen regional boards. The iron and steel industry in 1934 succeeded in agreeing upon a somewhat similar reorganization scheme in which the industry would be controlled by a national federation with a number of more or less autonomous divisional associations. With the assistance of the federation the associations are to control price and output and are to promote combination, the reduction of excess capacity, and other measures of reconstruction. The ship-building (1920), the chemical (1926) and the milling (1929) industries have likewise been brought under some sort of centralized control to eliminate competition. Finally, in the Agricultural Marketing Act of 1931 Britain abandoned the doctrine of free competition in certain branches of agriculture.

(1) See Herbert Heaton, *The British Way to Recovery* (Minneapolis, 1934); A. F. Lucas, "The British Movement for Industrial Reconstruction and the Control of Competitive Activity" *Quarterly Journal of Economics*, February, 1935.

(2) Hermann Levy, *Monopolies, Cartels and Trusts in British Industry* (London, 1927).

These developments have followed an extensive code of social legislation and a drastic set of laws for the regulation of financial practices. It seems fair, in summary, therefore, to say that, slowly and gradually ever since the end of the War, England has come to accept a program of industrial control, which resembles the more spectacular American program initiated suddenly in the middle of 1933.

It is quite clear, nevertheless, that, to date, there is no single industry in which the English experience proves the possibility of readily or completely solving the basic problems which underlie any such program. These resolve themselves into problems of price fixing, the regulation of output, and the retirement of excess capacity or inefficient establishments.

*b. Australia*¹

For many years Australia has provided one of the standard illustrations of a country with a very comprehensive program of state intervention. It is most noted perhaps for the completeness of its code of social legislation, which includes the detailed regulation of employment conditions and even the state determination of wage rates.

The Australian attempt to avoid the dangers of monopoly followed in some degree American practice, since certain sections of the Australian Industries Preservation Acts of 1906 and 1910 contained clauses based on the American Sherman Act. These methods, however, were supplemented by more vigorous attempts than have heretofore been made in Canada or the United States to encourage co-operation among those whom monopoly might injure. In the domestic field, this has taken the form of encouragement of trade unions and associations of primary producers. From the point of view of international policy, it has taken the form of tariffs and bounties to encourage competition against overseas monopolies. Added to these methods of equalizing competitive opportunities has been the direct undertaking of many industrial and commercial activities by the several states and the Commonwealth. Government ownership is more widespread in Australia than in any other British dominion, with the possible exception of New Zealand.

This mention of Australia's extensive development of governmental control has been made in order that equally brief mention might be made of her apparently successful plan for economic recovery. Like Canada, Australia depends for a very large part of her national income on exports. She is, therefore, peculiarly susceptible to world economic forces and requires, as Canada does, an economic system which can make reasonably quick adjustments to changed circumstances. The strongest case for unregulated competition has always rested in the assumption that a system of free competition would be satisfactorily self-regulating. It has been necessary, however, in all countries to modify the operation of competition, and consequently various types of price and other rigidities have tended to develop. Australia provides a suggestive illustration of the ways in which such rigidities can be overcome by wise public planning. The decision of the Arbitration Court (January, 1931) to reduce *real* wages 10 per cent, that is, to reduce money wages more than the cost of living, introduced a flexibility into wage rates which, it was believed, no public agency would ever dare to encourage. The acceptance in that same year of the Premiers' Plan reduced the burden of domestic and foreign indebtedness by conversion and other methods, which required bondholders to share the decrease in income which wage-earners and other classes in the community were already suffering. These deflationary measures to reduce public and private costs were accompanied by controlled inflation to minimize the reduction of money incomes, with the net result that Australia seems to have advanced farther out of the depression than most other countries. Whether or not her slogan, "first in and first out" shall

⁽¹⁾ See D. B. Copland, *Australia in the World Crisis, 1924-1933* (Cambridge, 1934); N. Skene Smith, *Economic Control*, (London, 1929).

prove later to be justified, the fact remains that by the intelligent use of three "institutions of national economic administration"—the Loan Council, the Arbitration Court and the Commonwealth Bank—a strong government was able to develop a policy which will always stand as an excellent example of intelligent social planning. It should serve effectively to answer the not uncommon contention that public regulation of business can never be flexible enough to meet a serious emergency.

c. The United States

The United States accepted more completely than England or any of the British dominions the philosophy of laissez faire individualism, and to a much greater extent than almost any other country crystallized this philosophy into statute law. Despite this fact, the economic development of the United States has not been fundamentally different from that of any other modern industrial country. One can find in its recent history the same trends toward the actual development of monopoly and the growing public dissatisfaction with competition that are found in countries which the United States likes to think of as paternalistic or socialistic. This trend can be shown most simply by a comparison of American anti-trust legislation with the recent developments under the so-called "New Deal."

The federal anti-trust policy of the United States was first formulated in the Sherman Anti-trust Act of 1890. This amplified and clarified the old common law doctrine by declaring illegal every contract, combination or conspiracy in restraint of interstate trade or commerce or any monopoly or attempt at monopoly in that field. In the beginning, no special agency was set up for the enforcement of the Act.

(1) The Federal Trade Commission.¹

Very shortly after its passage, the Supreme Court of the United States held, in the *E. C. Knight* case of 1895, that the Sugar Trust had not violated the Sherman Act because "manufacturing" was not "commerce." There followed a series of decisions construing the statute, of which perhaps the most important was the Standard Oil decision of 1911. This interpreted the Act as prohibiting only "unreasonable" restraints of trade. For this and other reasons it was felt necessary to supplement this basic Act by two others. In 1914, therefore, Congress passed the Clayton, and Federal Trade Commission Acts. The first of these, so far as it relates to our immediate interest, prohibited certain defined unfair methods of competition, "where the effect . . . may be to substantially lessen competition or tend to create a monopoly." The second prohibited unfair methods of competition generally and created a commission of five members with the following functions:—

- (a) to enquire into and report on corporations engaged in commerce;
- (b) to secure information on corporate developments;
- (c) to investigate trade conditions;
- (d) to advise and assist the government in the enforcement of the anti-trust laws;
- (e) to issue orders, enforceable however only through the courts, prohibiting unfair competitive practices.

According to one's point of view, it is very easy to use the United States experience since 1914 as a demonstration of either the value or the impossibility of attempting to enforce competition and assure fair competition. It is clear, nevertheless, that the attempt has not been as successful as the Wilsonian liberals hoped.

⁽¹⁾ See T. C. Blasdell, Jr., *The Federal Trade Commission* (N.Y., 1932); M. Handler, ed., *The Federal Anti Trust Laws* (Chicago, 1932); G. C. Henderson, *The Federal Trade Commission* (New Haven, 1924); E. P. Herring, "Politics, Personalities, and the Federal Trade Commission," *American Political Science Review*, December, 1934, and February, 1935.

The major difficulties encountered by the Federal Trade Commission in administering anti-trust legislation and in regulating business practices can be summarized briefly under four headings: personnel, policy, procedure, and law.

As to the first, it has often been alleged in criticism of the commission that many of its appointees were out of sympathy with its avowed purpose, and were chosen for reasons other than their competence to perform the duties of their positions.

Of the five members of the present Commission four are lawyers, one is a farmer, only one has had any substantial amount of business experience and none of the members is equipped by education and experience to deal with complicated questions that come before the Commission. . . . An examination of their biographies . . . [shows that they] are men of character and importance, but of "local" character and "local" importance, not men obviously qualified—as members of the Trade Commission should be qualified—by inclination, by long and specialized experience, by unquestioned mastery and standing in business, economics and law, to deal effectively with, and to promote the expeditious disposition of, the many highly complicated questions of nation-wide public and business policy that come before the Commission from day to day.¹

It has further been stated by American students of the activities of the Commission that, as the political complexion of the national administration changed, a rapid turnover of commissioners occurred, at times for the purpose of deliberately weakening the Commission; that various kinds of pressure which none would dare think of applying to the courts were continually brought to bear upon its members; and finally, that the commissioners tended to be too legalistic in their attitude toward the problems confronting them. As a result, so it has been stated, the Commission never acquired the prestige that is an essential condition of successful regulation of business.

Personnel difficulties were further emphasized by the uncertainties of public policy. To a very considerable extent, the Commission was stultified by the swing in public policy away from the "trust-busting" attitude of pre-war days. The survival of this attitude among the Wilson appointees to the Commission and among the more permanent technical staff, confronted the sympathy with big business of more recent appointees. The clash of those two opposing points of view has been held to have prevented the formulation of clear-cut administrative policies, with consequent indecision and confusion of purpose.

The Commission procedure has often been attacked as slow and cumbersome. This may have resulted from certain legal requirements, but it has undoubtedly very seriously hampered the effectiveness of the Commission.

Finally, there has been the limiting and restrictive effect of court decisions which, under the American practice of judicial review, have very significantly narrowed its authority and have taken away from it the power which Congress intended to give of defining which competitive practices should be prohibited as unfair. It has also been alleged by commentators on the work of the Commission that the above legal difficulties were further magnified by unsatisfactory relations with the Department of Justice, in which ultimately the real power to enforce the anti-trust laws resided. All these things have, in the eyes of its critics, not merely impaired the Commission's power to regulate business practices, but have also greatly weakened its functions of investigation and publicity, although these are of fundamental importance in any program of public control.

Despite the considerations referred to above, the Federal Trade Commission has achieved sizeable results in raising the standards of business conduct and practice. It has rid business of many nuisances by diminishing the prevalence of price discrimination, misleading advertising, and other grossly unfair practices. By a series of trade practice conferences, it has encouraged hundreds of businesses to

(1) B. M. Webster, Jr., in Handler, *op cit.*, p. 142.

develop codes of fair practice which, if not always legally enforceable, at least had important educational values. In a series of reports and investigations, it has built up a body of information about business practice which, if not adequate to answer all questions of public policy, is nevertheless unequalled in any other country.

Many of the difficulties which must qualify one's verdict about the success of the Federal Trade Commission and the American anti-trust laws, are of a kind that do not apply to Canada. If we solve the constitutional problem of Dominion or provincial jurisdiction, it is exceedingly unlikely that we shall meet the other legal restrictions which have so greatly hampered the Federal Trade Commission's work. Our only real difficulties would be those of personnel and policy. The British tradition of public service may help us to solve the problems of personnel, and those of policy could be gradually met by restricting the initial administrative functions of any similar Dominion commission and instructing it from time to time to advise the Government about those policies which should be crystallized into binding statute law.

In view of many popular misconceptions as to present American policy, it is interesting to note that there is no disposition in that country to permit unregulated private monopoly. President Roosevelt, in his message of February 20, 1935, asking for the extension of the N.R.A., said:—

The fundamental principles of the anti-trust laws should be more adequately applied. Monopolies and private price-fixing within industries must not be allowed nor condoned.

Proposals are now before Congress both for the widening of the authority of the Federal Trade Commission and for the transfer to it of many of the functions of the National Recovery Administration.

There has, however, for years been much dissatisfaction with the traditional interpretation of anti-trust policy. This found expression, after the acute economic collapse of March, 1933, in certain provisions of the National Industrial Recovery Act. There can be no doubt that the passage of this Act in July, 1933, marks in some fashion a revolution in American economic history, but as yet it is impossible accurately to estimate its significance or success.

(2) *The National Recovery Administration.*¹

The N.R.A., unfortunately, for purposes of analysis, does not stand alone. It is only one phase of a comprehensive legislative attack on all the problems of the depression. This involves:²

- (a) *Relief*—to business and financial institutions by the Reconstruction Finance Corporation; to property owners by the Home Owners' Loan Corporation, Farm Credit Administration and miscellaneous inflationary measures; to individuals by the Federal Emergency Relief Administration.
- (b) *Re-employment*—the whole program was directed toward the stimulation of employment, but special mention in this connection must be made to the Civilian Conservation Corps, the establishment of the United States and National Re-employment Services, and the Public Works Administration.
- (c) *Reform*—of banking and finance, by the Banking Act of 1933, the Securities Act of 1933 and other miscellaneous measures; of transporta-

⁽¹⁾ See especially, N.R.A. Research and Planning Division, *Report on the Operation of the N.I.R.A.* (Washington, Feb. 1935).

⁽²⁾ For a convenient summary, see Stuart Chase, "Government in Business," *Current History*, March, 1935.

International Labour Office, *Social and Economic Reconstruction in the United States* (B. No. 20, Geneva, 1934).

Leo Rogin, "The New Deal: A Survey of the Literature," *Quarterly Journal of Economics* February, 1935.

tion, by the Emergency Railroad Transportation Act of 1933, and other legislation supplemented by the appointment of the Federal Co-ordinator of Transportation; of agriculture, by the improvement of agricultural credit facilities and the Agricultural Adjustment Act; of industry, by Part I of the National Industrial Recovery Act.

This summary is intended to do more than indicate that the N.R.A. is but a small part of a tremendously varied organization and movement.

Taken even by itself, however, the N.R.A. is so complex that general analysis is almost useless. Its activities and results vary from code to code, industry to industry, place to place, and time to time. Even if its results are disregarded, a matter-of-fact summary of its activities and organization is almost impossible, for the N.R.A. program (as of Feb. 1, 1935) has really consisted of the following and much besides: the National Industrial Recovery Act, Title I; 70 Presidential Executive Orders; the National Recovery Administration with a staff of 4,500 persons and a budget now of about \$1,000,000 per month; 731 codes and supplements; 585 code authorities with annual expenses of about \$41,000,000; 139 general administrative orders; 11,346 code administration orders; 558 general code interpretations; 614 general stays or exemptions from individual code provisions; 1,171 exemptions to individual firms from specified code provisions; 680 code amendments and innumerable memoranda, releases, reports, hearings and conferences. The comment which follows professes to attempt only an exceedingly generalized summary which may assist in the formulation of a sound Canadian policy.

The purpose of the N.R.A. was to restore employment and stimulate business activity by increasing purchasing power and restricting unfair competitive practices. It was hoped to accomplish this purpose, first, by persuading each industry, through "voluntary" agreements or codes, to raise minimum wage rates and reduce maximum hours of labour; second, by encouraging collective bargaining through trade unions and trade associations; and third, by recompensing employers for increased costs by approved programs of production, price, and trade practice control.

In the beginning, the plan seemed to be to restrict codification to the ten major industries of the country. In August, 1933, however, the speculative anticipation of increased prices caused such a boom in industrial activity that the slow process of developing codes for each separate industry was interrupted by a nation-wide campaign to get every individual employer to sign the President's Re-employment Agreement, popularly known as the Blanket Code. Thereafter the slower work of hammering out agreement on the terms of the separate industrial codes was resumed. It is not yet entirely finished. To date about 90 per cent of all employees operate under one or other of the hundreds of codes which have been approved. These range from the retail distribution codes covering over 5,000,000 workers to the code for the animal soft-hair industry approved in December, 1934, covering only ten firms with 45 employees. It is impossible to exaggerate the magnitude of this achievement. It is equally impossible accurately to estimate its results.

It appears clear, however, that the program has not fulfilled the promises of its more enthusiastic supporters, while many business men have begun to lose those fears which two years ago made them in desperation rush to the government for assistance. A reaction against regulation as the price for such assistance seems to have set in—a reaction such as might be expected after any attempt so quickly to modify the underlying business habits of a nation.

It is also alleged that the N.R.A., itself, is in part responsible for this change of opinion, due to the uncertainty of its administrative policy. Its mandate, for instance, contained an order to relax certain anti-trust restrictions but at

the same time to protect small business and not to encourage monopoly. The reconciliation of these two ideas has not been easy. Some would say it is impossible.

Further, in the haste to codify all industries, little time was left for the formulation of any well-rounded policy. There was, therefore, often a variation in objectives among those responsible for policy. This has naturally led at times to confusion and inconsistency. It would, indeed, have been surprising if, under the circumstances, this had not been so.

One thing, however, seems to be clearly emerging from the American experiment—that regulation of production and price by industry itself under government supervision is to be continued only in exceptional industries, where the public interest in the conservation of natural resources may justify this policy. There is also some evidence that the scope of trade-practice control will be considerably reduced and that the whole program will be narrowed down to a few large interstate industries. And it is quite certain that, regardless of the Recovery Administration's general jurisdiction, more and more emphasis will be placed on the labour provisions of the codes.

Quite apart from difficulties of policy, the N.R.A., it would appear, has developed administrative difficulties—a not surprising result of so comprehensive and complex an attempt to regulate almost every phase of business activity. Non-compliance with code provisions is admitted to be very general and no effective machinery for enforcing compliance has yet been devised. Certain authorities set up for this purpose have developed a vested interest in the continuation of the program and their methods and policies have been severely criticized. Even if the practical difficulties of administration were overcome, there would still remain almost insoluble theoretical difficulties relating to such matters as the classification of industries and the relationship of code provisions in one industry to those of others. It is not uncommon, for example, to find establishments simultaneously working under the provisions of many different codes.

The experience of the lumber industry under its code is, if somewhat extreme, very instructive. The lumber codes fixed 30,000 separate prices, and fixed them so high that 5,000 new sawmills were started despite a marked decrease in demand. As a result, price-fixing was abandoned after eighteen months of great confusion; but not before a poll of Pacific Coast lumber manufacturers showed that in August, 1934, 81 per cent of the fir manufacturers were selling at less than code prices.

It will not be possible to pass final judgment on the N.R.A. experiment for many years, but we feel that American experience under the Act has not been such as to justify Canada's imitating the experiment. Our conclusions on this point are the more definite because of our realization that, apart from the question of results achieved, conditions in Canada, economic and otherwise, are in so many important respects far from analogous to those existing in the United States.

d. Canada¹

(1) The Board of Commerce, 1919

Canada's experience with the control of competitive activity dates from 1889 when an Act was passed, now to be found in Sections 496 to 498 of the Criminal Code, which make it an indictable offence to "unduly prevent or lessen competition."

This first legislation has since been supplemented by other acts. One of the most interesting of these was that establishing the Board of Commerce in 1919, with which was closely associated the Combines and Fair Prices Act of the same year. In summary, this legislation was designed to prohibit combinations detrimental to the public interest and to prevent the charging of prices

(¹) See Francis Hankin and T. W. L. MacDermot, *Recovery by Control*, (Toronto, 1933).

which would unduly increase the cost of living. Its administration was put into the hands of a Board, which was established as a court of record and given very extensive powers of investigation and administration. It set up a number of local agencies and conducted many investigations into profiteering. In 1921, however, the Privy Council declared that the legislation was outside the competence of the Dominion Parliament, and the Board of Commerce came to an end.

The brief life of the Board was sufficient, however, to teach several very definite lessons, of which the most important were (1) the necessity of appointing to a tribunal of this kind only members who have had a thorough training in the analysis of economic and business problems and (2) the necessity of limiting its administrative duties in order that it might have an opportunity gradually to develop an effective policy. The Board of Commerce was so harassed by hundreds of unimportant complaints, that it is doubtful whether it would ever have been able to make any serious contribution to the formulation of a wise policy of public control of business, even if it had continued to function.

(2) *Combines Investigation Act, 1923*²

In substitution for the 1919 legislation there was passed in 1923 the present Combines Investigation Act, the main purpose of which is to prohibit combines which "have operated or are likely to operate to the detriment of or against the interests of the public, whether consumers, producers or others;..." Within this limitation there are specific prohibitions of a variety of monopolistic arrangements and practices. On complaint, or on the initiative of the Registrar, or at the instance of the Minister of Labour, a preliminary inquiry is made by the Registrar into any alleged combine. If this discloses sufficient evidence to justify more extended investigation, such may be conducted by the Registrar or by a special commissioner appointed by the Governor in Council.

The remedies provided by the Act for illegal combines are those of publicity and penalty. The report of any investigation by a commissioner *must* be published in full and a report by the Registrar *may* be published at the discretion of the Minister of Labour. Sometimes such publicity by itself adequately remedies the situation, as in the case of the Proprietary Articles Trade Association. Sometimes the publicity, as that following the investigation of an alleged combine into the distribution of fruit and vegetables in Western Canada, leads to remedial provincial legislation.

The penalty provisions of the Combines Act include a fine not exceeding \$10,000 or two years imprisonment for natural persons and a fine not exceeding \$25,000 for corporations. Under certain circumstances, action under the Act may be taken in the Exchequer Court to revoke patents, and by the Governor in Council to reduce certain tariff duties.

This brief discussion of the regulation of monopoly cannot pretend to cover the whole field of government intervention in Canadian economic activities. A survey of such activities will show that government for one reason or another has been forced to intervene in many fields and in varying degrees, from the mere exercise of general supervision of private activity to complete public ownership and operation. The fields of transportation and communication, public utilities, commerce, manufacturing and agriculture all bear witness to the fact that the state is accepting more and more responsibility in this country for the supervision and direction of economic endeavour. It is estimated that today

(2) See Judgment of Judicial Committee of Privy Council, Appeal No. 118 of 1929, on Constitutionality of Combines Act (Reprinted, *Canada Labour Gazette*, Mar., 1931). Reports of the Registrar. J. A. Ball, Jr., *Canadian Anti Trust Legislation* (Baltimore, 1934); V. W. Bladen, "Combines and Public Policy," *Proceedings of the Canadian Political Science Association* Vol. IV (1932), pp. 168-70.

the state owns, operates or regulates about one-quarter of the total wealth of Canada. Of this, approximately one-half is directly under government administration.

4. THE OBJECTIVES AND LIMITATIONS OF PUBLIC CONTROL

a. Amendment of the Combines Act¹

The brief survey in the preceding sections has been made to see what light it throws on our present problem of state control of business practices. In Canada there is a growing body of opinion that changed economic circumstances demand such control by what is described as "self-government of industry" with state supervision. To make this possible an abandonment or amendment of the Combines Act is advocated by some, in order to encourage quite innocent combinations of manufacturers to prevent the depression of prices, or innocent combinations not to impair but rather to foster fair competitive opportunities.

In our later recommendations for the establishment of a Federal Trade and Industry Commission, we shall return to the question of amendment of the Combines Act. Meanwhile, we recommend that, regardless of these later proposals, the Act be amended at least in one important particular, namely, the publicity provisions of Section 28, which reads as follows:—

PUBLICITY

28. Any report of a commissioner, other than an interim report, shall within fifteen days after its receipt by the Minister be made public, unless the commissioner is of the opinion that the public interest would be better served by withholding publication and so states in the report itself, in which case the Minister may exercise his discretion as to the publicity to be given to the report in whole or in part.
2. The Minister may publish and supply copies of any report, in such manner and upon such terms as to him seems most desirable.

Unfortunately, despite what seems to be the authorization to the Minister to publish *any* report, this section has recently been interpreted in such a way as to deprive the Minister of the power to publish a report of the Registrar.

Certain reports of the Registrar have been made public from time to time when the enquiries have been extensive enough to justify such a course. Our opinion is that, where the Registrar makes such an enquiry as a Commissioner would make, and where the requirements of Section 13 of the Inquiries Act have been met (as provided in Section 18 of the Combines Act), reports of such inquiries by the Registrar should be subject to the same provisions as apply to Commissioners' reports, and that Section 28 of the Combines Act should be amended accordingly. Otherwise, the policy of publication of reports might be defeated by the expedient of having all enquiries made by the Registrar and none by Commissioners.

Many proposals for additional changes to the Combines Act are based on a complete misunderstanding of the intent, purpose and language of the Act, which does not at present prohibit any combination which is likely to operate in the interests of the public. Some of these proposals are based on a belief in the desirability of combinations to maintain prices and restrict output. Others seem to imply a desire on the part of manufacturers and distributors to make the consumer pay the cost of their efforts to cure what they regard as competitive wastes in their lines of business. The adoption of such proposals as these would, however, accentuate one of the major evils for the investigation of which this Commission was appointed, namely, that of the spread in prices between what the consumer pays and what the producer receives.

(1) Annex VIII, for a memorandum submitted to us on various proposed amendments.

If repeal or modification of the Combines Act had the effect of legalizing attempts to restrain price-cutting by schemes of price-fixing or resale price maintenance, the tendency would be to set prices assuring "fair" margins of profit to all distributors. These margins might be sufficiently large to permit a "fair" profit for the high cost or inefficient operator. This would increase price spreads and the costs of production and manufacture. Even if we admit all the alleged wastes and inefficiencies of competition, any general substitution therefor of private monopoly, without some effective regulation based on experience and slow growth, would further unbalance our economic structure.

b. Self-government in Business

Proposals for "self-government in business" as outlined above, represent in part an only-to-be-expected reaction against extreme individualism. Their sincere acceptance by many business men is often the product, however, of depression desperation. They have, we feel, dangerous implications and if widely accepted, might well lead to the formation of monopolistic combinations for the control of which governmental agencies in personnel, experience, policy and law are as yet unequipped. The brief experience in the United States under the N.R.A. and the rapid shift in opinion and policy which has followed it should be sufficient to warn us against any precipitate and unconsidered acceptance of this philosophy. We do not minimize its importance; we are merely suggesting that its acceptance should proceed slowly and by stages.

At the same time, it should be pointed out that the idea of "self-government in business" has received support from many economists and practical business men, who feel that something of this kind may be necessary, as the concentration of production and distribution into the hands of larger and larger corporations, goes on.¹

We cite in this connection, the *Resolution on Cartelization* of the World Economic Conference, 1927.

. . . Nevertheless, in certain branches of production they [cartels] can—subject to certain conditions and reservations—on the one hand, secure a more methodical organization of production and a reduction in costs by means of a better utilization of existing equipment, the development on more suitable lines of new plant, and a more rational grouping of undertakings, and, on the other hand, act as a check on economic competition and reduce the evils resulting from fluctuations in industrial activity.

Britain's Industrial Future, the Report of the Liberal Industrial Enquiry, 1928 (United Kingdom), has also an interesting reference to this matter.

. . . The instinctive public distrust of monopolies is well founded, because it is competition which has passed on to the consuming public, in the form of low prices, the results of industrial and economic progress. It is, however, useless to-day to attempt to restore the old conditions of competition, which often involved waste of effort and prevented full advantage being taken of large-scale production. In modern conditions some degree of monopoly is, in an increasing number of industries, inevitable, and even quite often desirable in the interests of efficiency. The progression from purely private Individualistic enterprises to the Public Concern is a gradual one. We must try to find room for large-scale semi-monopolistic private concerns. A monopoly, held in check by its vulnerability against concerted action by consumers, may serve the public well and offer many of the advantages of free competition simultaneously with the economics of concentration. But publicity is the necessary condition for the right use by the consumer of his ultimate weapons.

(1) See Bruno Burn, *Codes, Cartels, National Planning* (N.Y., 1934).

Nevertheless, we do not believe that any such formula as self-government or codification or cartelization is yet generally applicable to any wide range of industries in Canada, though there may well be industries, such as the needle trades, in which the peculiar conditions of the business call for some such measure of social reorganization.

We recommend, therefore, that the Federal Trade and Industry Commission, which is proposed later in this Report, should, as one of its major duties, carefully consider industrial and economic developments, so that when an industry finds itself in a position where some social reorganization under public supervision is necessary, the Commission may advise the Governor in Council what steps should be taken to deal with the situation. So far as any general scheme of "self-government" under state supervision and control is concerned, we feel that the remedies we are suggesting for specific problems will have the effect of bringing about adjustments in the existing organization of industry, which will obviate the necessity for such general reform.

We reach this conclusion on purely practical grounds, but we find support for it also from many students of economics.¹ The following extract from the *Economist* (London), February 2, 1935, is a typical statement of this position:—

. . . In their very special circumstances the multiplicity of units has unquestionably led to excessive competition of a wasteful character, and a thoroughgoing reorganization of their structure is undoubtedly overdue. Some means must therefore be found for subordinating individual interests to the general good—which in the last resort means compulsion in some form or another. . . But this does not mean that a monopolistic cartel, composed of those at present in the industry, would be appropriate even to these industries. . . Thus even for the industries with permanent surplus capacity, it would not be easy to make a strong case for a general Enabling Act conferring powers of self-government. On the contrary, there is good reason to believe that the problem of each industry could best be handled separately. . . Moreover, even the much more limited powers of "self-government" exercised through restriction schemes of various kinds have, more often than not, done more harm than good, as the unfortunate history of the rubber industry, to take only one prominent example, plainly shows. Nor can very much reliance be placed upon the various safeguards enumerated in the Enabling Bills, for no "representation" of the consumer has ever been developed which has a tithe of the potency of free competition. . . A general invitation to industry to organize itself in restrictive cartels would be to risk losing in the twentieth century most of the economic gains of the nineteenth.

Our hesitation to accept the demand for general "self-government in industry" with government supervision and control is due largely to the fact that democratic governments have not yet perfected any mechanism for effective control. The problem of the regulation of public utilities is not completely solved. If regulation were suddenly extended over the much wider field of trade and industry generally, the problem would be correspondingly greater. Further, it would be dangerous to substitute for even the imperfect protection which "the market" now extends to labour and consumer, only general surveillance by government. Democratic self-government in industry can be achieved only by putting the control of industry under organizations that are equally representative of the interests not only of the producers themselves, but also of labour and consumers. As it has been well put:—

. . . The interest of a single business man under genuine competition is to increase production, simply because competition will not let

(¹) See Robert Liefmann, *Cartels, Concerns and Trusts* (London, 1932); Simon N. Whitney, *Trade Associations and Industrial Control* (N.Y., 1934).

him again by limiting production. The group that includes all the employers in one trade is proverbially the group whose interest lies in limiting production; and organizations of this sort, intended though they may be to promote social ends, have this basic force to reckon with. Once we have broadened the unit of organization beyond the single competing business enterprise, we must go a great deal farther before we shall have a group whose interest as a group lies in increasing production rather than limiting it. The group must incorporate—and not merely in an advisory capacity—labour, consumers, public.¹

In short, while we are sympathetic to the idea of industrial self-government and accept its necessity in individual cases to be decided by the proposed Federal Commission, we feel that—having regard to the dangers of monopoly or fascism, and our lack of experience with far-reaching government control of business—we cannot recommend the general acceptance of this policy, except upon a basis very different from that now in the minds of many of its proponents. The representatives of numerous industries, as such, and many individual business men have appeared before us urging the acceptance of this program, whether it be called cartelization, authorized combination, NRA codification, or industrial self-government. We are not persuaded that they have given sufficient thought to the underlying implications of their proposals.

We feel, further, that before any such system of industrial self-government can function effectively and in the public interest, there must be already in existence well developed trade associations and trade unions.

We have suggested in previous chapters that government should support and encourage such associations and unions, and again we recommend here that the proposed Federal Trade and Industry Commission should co-operate with them to the utmost possible extent. Such co-operation should be for the purpose of abolishing unfair competition and stimulating the voluntary acceptance of codes of business practice. It should also be for the purpose of ensuring that, if reorganization of an industry becomes necessary, there will be well organized and experienced groups to represent workers and employers, well developed policies for effective government regulation, and experienced agencies to administer such policies.

c. The Complexity of the Problem

The examination we have made above of government intervention in business, though brief and inadequate, has been sufficient to show the complexity of the problem. The general purposes of such intervention are easy to state; that it should free initiative from existing restraints and not destroy initiative by merely adding new restraints; that it should be in the interests of the economic and social welfare of the mass of the people, and not of any one group or class; that social control should be designed to produce the maximum national income and to distribute it in the most equitable fashion. No one can quarrel with these objectives, but differences of opinion immediately arise when any attempt is made to recommend practical ways of attaining them. State socialism, communism, reformed and controlled capitalism, fascism—all have their adherents; and their opponents.

The questions raised are as pressing as the answers are various. How can the capacity of industry be adapted to human needs? How can production be related to demand? How can we remove the paradox of poverty in the midst of plenty; of unemployment, when there is so much work to be done? How can units be articulated into industries and industries into a national economic organization, without the sacrifice of political liberty.

⁽¹⁾ J. M. Clark, "Economics and the National Recovery Administration," *American Economic Review*, March, 1934.

d. Conclusions

We join those who agree that there is no single answer to all these questions; no single panacea for our economic ills. We would, however, submit the following considered conclusions:

- (1) that in certain industries, such as public utilities, monopoly control requires complete regulation or government ownership;
- (2) that in certain other industries competition can be satisfactorily restored by state action;
- (3) that in some imperfectly competitive industries the attempts to restore competition must be *supplemented* at least by some sort of maximum price control, profit restriction, or other method of regulation.
- (4) that in other industries where simple competition is operative, such competition may continue to be relied upon as the best method of control;
- (5) and that, finally, there may be a *few* industries in which competition has become so cut-throat that some modification of it may be attempted, or permitted.

We recommend what may develop into important and far-reaching intervention by government for the control of competitive practices in business; but, drastic as these reforms may later prove to be, we are convinced that their development should be gradual and progressive. This, for two reasons: 1, our lack of experience with these problems, and the absence of a mechanism for dealing with them, warrants only a gradual approach; 2, no far-reaching change in social policy can be undertaken experimentally in the hope of a return to the status quo if the experiment should fail.

While this policy [that of indirect control by competition] has not been completely satisfactory, there are many reasons for being slow to abandon it in favour of the other. Chief of these is the fact that the change would be likely to be irrevocable. It is easier to keep industrial units apart than to unscramble them after they have once combined, and a policy of permitting combination would almost certainly result in such a growth of mergers that if we should subsequently change our minds and desire to return to the plan of indirect control the necessary unscrambling would prove to be virtually impossible. Before committing ourselves to direct control, then, we should do our best to visualize its ultimate consequences as well as to try out all the possibilities of the plan we are now following.¹

The proposals which follow represent our conception of what can safely be undertaken at this time.

2. GENERAL RECOMMENDATIONS

1. THE FEDERAL TRADE AND INDUSTRY COMMISSION

This section deals with our *general* recommendations for government intervention in business, within the limits set by our terms of reference, limits which exclude many fundamental problems, such as currency and credit, transportation and communication, and other aspects of the general economic structure. Many of the specific recommendations which we have previously made are particular remedies for particular evils. We recommend them with greater confidence, however, since they are co-ordinated with the more general policy which we are now proposing. This policy is designed both to protect the various interests

(1) Clark, *op. cit.*, p. 439.

in our society, consumers, primary producers, wage-earners, investors, and employers, and to improve the general organization and functioning of our economic system.

There are only two ways by which democratic government can intervene in the affairs of private enterprise—by statute law, or administrative law. When statute law is used, the act (for example, Pure Food and Drug Act, Section 498 of the Criminal Code), sets out in detail what may or may not be done. Enforcement is left to the police, law-officers and courts. When administrative law, as we should like to define the term here, is used its application to particular situations and its administration is placed in the hands of a semi-autonomous body, such as the Board of Railway Commissioners, the Tariff Board, or the Registrar under the Combines Act.

The more complex the problem, the less likely is it that statute law alone will meet the situation. As we have stated above, there can hardly be a more complex problem than that provided by the state regulation of competitive practices. We feel, therefore, that any policy dealing with this problem should be interpreted and enforced by a competent administrative agency. For this reason, we recommend the creation of an agency to be called the Federal Trade and Industry Commission.

2. STRUCTURE OF THE COMMISSION.

The Commission should, we think consist of five members appointed by the Governor in Council, as a semi-autonomous board under the President of the Privy Council. Its members should be appointed solely on the basis of their qualifications to approach economic and business problems in a thoroughly scientific and trained fashion. Indeed, the success or failure of the Commission will depend almost entirely on the competence of its members. An incompetent Commission, or one subject to outside pressure of influence, would be worse than none at all. Appointments should be for overlapping terms to give continuity, and for long terms to give security of tenure. The Commission should begin its duties with a minimum staff adequately paid, to secure maximum competence. Eventually, the Commission might have divisions for (1) Combines Act enforcement and monopoly regulation; (2) consumer protection; (3) the regulation of trade practices; (4) the regulation of security issues, etc.

We regard it as important that the Commission be independent of any existing department of government and under the responsibility of the Prime Minister as President of the Privy Council. Its status should be like that of the Board of Railway Commissioners, both in its authority and in its relation to the responsible Minister and Parliament. We make this recommendation with a full appreciation of the danger of unnecessarily duplicating governmental agencies and of the present necessity of more effectively co-ordinating existing departments and agencies. None the less, the very nature of the problem is such that the work of the Commission cannot be regarded as belonging to any one department rather than another. It would, in fact, have a function of attempting itself, by co-operation, to co-ordinate certain present activities of several other departments.

3. THE GENERAL FUNCTIONS OF THE COMMISSION.

The Commission should be charged with the duty of protecting the interests of all classes and groups. Since the major problems with which the Commission would have to deal arise out of the growth of concentration, its basic functions would be concerned with the prevention or regulation of monopoly and monopolistic practices. It is in this way that the Commission would serve to protect the consumer and the primary producer. But the complexity of the

problem excludes any single formula or simple policy. We therefore make, in this particular connection, the following specific recommendations:—

- (a) Rigorous administration of the Combines Act;
- (b) Sanction and regulation of monopoly where it is agreed by the government that competition cannot or should not be restored;
- (c) Sanction and supervision of agreements within a trade or industry where it is agreed by the government that competition has become wasteful and demoralizing.

a. Administration of the Combines Act.

We regard the first, a rigorous enforcement of the Combines Act, as most important. We feel that, for this purpose, the Act should be administered by the proposed Commission. The Act does not by its terms, or by the manner of its present enforcement, hamper any combination that would operate in the public interest, and, in the light of our previous discussion, we consider it should be an integral and important part of any new mechanism of control, though some amendments may be necessary to the present provisions of the Act, and some change of emphasis in its administration. We feel that its administration has been concerned primarily with combinations and agreement and not sufficiently with single company monopolies which may not involve these elements. This defect might be remedied by the Commission developing the use of the Combines Act against monopolistic domination as well as monopolistic combination. For this purpose, the Combines Act should be amended to include a more comprehensive definition of monopolies or monopolistic practices. These situations and practices arise when the number of competitors is so small that the decisions of individual firms are able significantly to affect the total output of the industry or the market price of the product. We recommend a definition of the monopoly to cover.

any person, firm or corporation, or group or association of persons, firms, or corporations, carrying on any business in Canada, except railroads and other public utilities, which,

- (a) by the magnitude and nature of its operations within its own class exercises a dominating position in that class of business activity or
- (b) by its huge buying power is able to exploit vendors, or to secure discriminating discounts or allowances or
- (c) which excludes or attempts to exclude others from any class of business activity; or
- (d) holds an exclusive franchise or right of operation in a given territory; or
- (e) being composed of independent units allegedly associated for the promotion of better business conditions, endeavours unduly to enhance prices or unduly to restrict output, or in any other way acts in a manner prejudicial to public health; or
- (f) evidences monopolistic control or imperfect competition by an insufficiently flexible price policy.

In any such monopolistic situation the Commission should first exercise the full force of the Combines Act to restore competition. It should explore thoroughly the possible effectiveness of sections 23 and 24 of the Combines Act, which authorize, respectively, the reduction of tariff duties and the revocation of patents, when it appears that these have facilitated the development of monopolies inimical to the public interest. The unwarranted suppression of new patents is an abuse of a publicly conferred privilege which the Commission should be specifically authorized to check. For this reason, the Patent, Trade-mark and Design, and Unfair Competition Acts, themselves, should be amended in such a way as to ensure that their commercial aspects fall within the jurisdiction of the Federal Trade and Industry Commission.

b. The Regulation of Monopoly

A second major function of the Commission should be the effective regulation of an industry where competition cannot or should not be restored or enforced. We feel the wisest course would be to recognize the existence of such a monopoly, and to regulate it in the public interest. The Commission should, therefore, after it has satisfied itself that such a course of action is socially desirable, be empowered to recommend to the Government that specific industries be declared monopolistic, exempt from the operation of the Combines Investigation Act, and subject to regulation by the Commission. The publication of each such recommendation should be mandatory. If the Government should accept the recommendation of the Trade Commission, then it should take the necessary steps to implement the advice.

In this connection one of the most important duties of the Commission would be to recommend to the Government which of the various methods of control should be used for each specific monopoly. Several methods have been proposed, of which we wish to mention four, as worthy of investigation by the Commission.

(1) Some measure of control over maximum prices might be established as in the regulation of public utilities. This method might be described as the "unfixing" of prices in situations where anti-social, though perhaps not conscious, restriction of output has raised them above the point that simple competition would have set and has diminished the national income of goods and services. It is not contended that the Commission would be able to determine "fair" prices, but it is possible that in such a situation it could help to establish prices less unfair than some present prices. This "unpegging" might encourage the low cost producers to increase their output in order to get the full economies of large-scale production. With a lower maximum price, it would no longer be profitable for them to restrict output in the fashion that characterizes both monopolistic and imperfectly competitive situations.

(2) A second method proposed is by the taxation of surplus profits beyond an allowed rate of return on the real investment in utilized capacity, after provision for approved allowances and reserves, the latter to be kept liquid. This might stimulate the more complete utilization of productive capacity and check the speculative over-expansion of productive facilities which is probably one of the contributing factors in business cycle fluctuations. Like price-fixing, this method would raise many familiar problems of valuing investment, determining proper rates of depreciation and fixing "fair" rates of earnings.

(3) A third proposed method is the taxation of excess profits, supplemented by the distribution of such excess between the State and the employees. This would be a form of mandatory profit-sharing, which might both restrain the attempt to extort monopoly profits and contribute to the broader distribution of purchasing power. There is the further possibility that this method might be even more generally applied to all industries, in which case the excess profits should be shared, in order to retain an incentive toward business efficiency, between the State, the employees and the employer.

(4) A fourth proposed method has previously been suggested in Chapter VII, with particular reference to the possible development of monopoly in the distributive trades. This is the unit taxation of multiple-unit organizations.¹

It should here be emphasized that the regulation of monopoly, by these or any other appropriate methods, should be undertaken only as a supplement to—never as a substitute for—the vigorous enforcement of the Combines Act. Subject to this consideration, we do, however, strongly recommend the effective regulation of those industries in which public ownership seems undesirable and

¹An argument in support of methods (3) and (4) is set out in Annex IX.

monopoly not otherwise preventable. We also recommend that the proposed Commission be instructed to explore the feasibility and effectiveness of these and other methods. When it has been decided which method should be adopted in a particular case, it should advise to that effect and the Government, if it accepts the advice, should thereupon authorize its implementation.

c. Price and Production Agreements

The third function of the Commission would be the supervision of agreements on prices and production, as and when authorized by the Government according to the procedure outlined below. This function should be used only where it is clearly necessary to modify wasteful and demoralizing competition, as perhaps in the needle trades, or to offset the power of mass buying. The procedure of the Commission would be the same as that mentioned in connection with monopoly regulation, namely, it would recommend to the Government that, for reasons stated, agreements about control and regulation of prices and production should be sanctioned in each such industry, perhaps for a limited period. If the Government accepted this recommendation, the Commission would be authorized to approve such agreements, supervise their operation, and impose such regulations and restrictions as the situation seemed to call for.

Because publicity is and must continue to be one of the major weapons against monopoly, we recommend specifically that the Commission utilize it to the utmost in connection with all investigations and recommendations it may make for the regulation of monopoly or the authorization of price and production control. Within fifteen days of the completion of any investigation conducted under a procedure which provides such safeguards as are afforded by the Inquiries Act, the full report of the Commission thereon, and the recommendations, if any, made to the Governor in Council shall be published, in order that the Government may act promptly. Such recommendations, further, should be forthwith published in the *Canada Gazette*.

d. Consumer Protection

The above functions of the Commission, through the enforcement of competition, or the regulation of monopoly, are designed to protect the consumer. Such protection, however, must be supplemented by other measures to prevent advantage being taken of the consumer because of his unavoidable ignorance of the qualities of goods and the contents of containers, etc. In Chapter VIII, it was pointed out that many of the manufacturing and merchandising practices harmful to the consumer could not continue if there were a comprehensive and co-ordinated system of enforcement of the many federal and provincial Acts designed for consumer protection. We recommended in that Chapter some modification of existing legislation, the extension of research into, and publicity for consumer standards, and the creation of some agency to enforce those laws designed to protect the consumer, for which no effective administrative or enforcing agency is otherwise provided. This work should be one of the functions of the Trade Commission. A member of the Commission should be the Chairman of the Consumer Commodity Standards Board, there recommended; the Board should submit recommendations for legislation or other government action to the Commission; and, except as otherwise provided, the Commission should be the central agency to supervise the enforcement of all laws designed for consumer protection.

The Trade Commission should also be a central agency for the receipt of complaints about violations of these or other laws relating to consumer protection. If the complaint involves primarily a technical question, e.g., unbalanced scales, adulterated foodstuffs, the complaint should be referred to the existing government agency, if any, already responsible for administration. If the complaint relates to a law, e.g., section 406 of the Criminal Code, for which no adminis-

trative agency exists, or if the complaint relates to a non-technical, primarily commercial aspect of the law, e.g., deliberate shortweighting, trade-mark imitation, suppression of patents, etc., then the Commission should be clothed with full authority itself to take the necessary action—hearing, investigation, adjustment, and prosecution. In other words, it should be the duty of the Commission,

- (1) to enforce those present or new relevant laws (see Chapter VIII), for which no enforcing agency is provided,
- (2) concurrently, with existing agencies, to enforce such laws in their non-technical or commercial aspects, and
- (3) generally to co-operate with these agencies for the more effective enforcement of all laws designed for consumer protection.

We make below the same type of recommendation with respect to other laws relating to business practices and unfair competition. Experience will demonstrate the extent to which all such laws (Meat and Canned Foods Act, the Food and Drug Act, Patent Act, Trade Mark and Design Act, Unfair Competition Act, etc.) should be completely centralized under the sole jurisdiction of the Commission.

We desire to add a further word of explanation and possibly of caution in connection with this phase of the proposed Commission's activities. We do not feel that it should be an obligation of the Commission to relieve the individual of his right and duty to prosecute if he suffers an injury for which a legal remedy is available. Otherwise, the Commission's main duty of guiding and advising on business and industrial policy would be lost in the conduct of numerous petty prosecutions. We feel that the intervention of the Commission in the enforcement of existing laws should be restricted to (1) flagrant cases which are destructive of accepted standards of business morality and concerning which the public interest demands that the state should not wait for private initiative in prosecution, (2) general complaints which have been received from public agencies and semi-public bodies, such as Boards of Trade, Chambers of Commerce and Producers or Co-operative Associations, where the Commission, after preliminary investigation, might initiate prosecution or co-operate in such prosecution.

e. The Regulation of Trade Practices

One of the most important functions of the Commission should be the regulation of competitive practices, a function which is allied in some degree to its administration of the Combines Act. Elsewhere in this report we have recommended better and more adequately enforced labour legislation and have suggested that the administration of this be left in the hands of strengthened Departments of Labour. Our recommendations in this field, however, do not refer solely to problems in labour relations. They are also related very closely to the general policy of government control of unfair competitive practices. Effective protection of the wage-earner from cut-throat wage levels and the compulsory maintenance of certain minimum standards of working conditions will go far to protect the progressive and responsible employer of labour from unfair competition. Uniformity in quality standards and the prohibition of merchandising tactics designed to confuse the consumer will provide further protection. We do not contend, however, that these measures, however valuable, would entirely abolish unfair competition, and it is necessary therefore to supplement them by some direct regulation of unfair competitive practices.

(1) The Definition of Unfair Trade Practices

Unfair competitive practices take many forms, some of which are now prohibited by law. In respect to those the difficulty up to the present has been that there has been no administrative agency for the enforcement of such laws and the prohibition has therefore not been effective. A business man is never

anxious to proceed against his competitor for the violation of rules of business conduct, even though that violation may have been definitely illegal. We therefore recommend that the Trade and Industry Commission should, in the manner and to the extent previously recommended in connection with consumer protection, supervise the enforcement of existing laws which prohibit certain business practices.

There are, however, other competitive practices which, while not illegal, may be equally unfair. These take many forms, but the majority of them may be brought under the definition of unfair price discrimination; "unfair," because it operates inequitably as between competitors, because the burden of it is often pushed back to the wage-earner or primary producer without corresponding benefits to the consumer, and because it deprives society of the benefits of fair and equal competition. Unfair price discrimination, or any other similarly unfair business practice, permits the survival of the powerful rather than of the efficient. The Federal Trade and Industry Commission should be given the duty and power of prohibiting such unfair trade practices.

We feel, further, that it would be unwise to attempt to write at present into statute law a rigid definition of what constitutes an unfair practice, with a list of such practices. Such a list, if appropriate at the present time, would probably soon be rendered obsolete by changing conditions. At the same time we recommend that the Act creating the Trade Commission and giving it power to prohibit unfair competition should establish certain principles for the determination of "unfairness." We recognize that there is a very real danger of confusing the economic, legal and ethical implications of "unfairness" and we feel that this danger might be removed to some extent if certain general criteria were laid down in the Act. We suggest that practices should be prohibited as unfair which are characterized by bad faith, fraud, misrepresentation, or oppression; which are resorted to for the purpose of destroying competition or eliminating a competitor; which facilitate the development of monopoly; or which destroy fair competitive opportunity and prevent the survival of those who can organize and carry on the production of goods most efficiently. It is in this sense that the word "unfair" should be used in the Act.

Without attempting to restrict the application of this test of "unfairness" by the Commission we feel that certain practices which we have examined should very definitely be considered "unfair" under the Act. They are so widespread and generally condemned that their complete prohibition by the Commission is justified. We refer specifically to—

- (1) discriminatory discounts, rebates and allowances,
- (2) territorial price discrimination and predatory price-cutting.

(2) The Procedure and Power for Trade Practice Regulation

In outline we think the procedure of the Commission in its work of regulating unfair practices should be as follows: Either on its own initiative or on complaint the Commission would make such investigation and hold such hearings as seems appropriate. Whenever any practice was found to be "unfair" the Commission should then issue an order "to cease and desist" from such practice. If an "order" of the Commission were not obeyed the Commission should then have the authority both to prosecute for the violation of the Act and also to apply to the Courts for an injunction against the continued violation of its order: There should be the right of appeal to the Exchequer Court of Canada from these orders within, say, ten days. Such an appeal should not act as a stay on compliance with the orders, and should be final.

In most serious cases, instead of issuing a "cease and desist" order the commission might, at its discretion, prosecute directly under the Act for the

offence of competing unfairly. The Act should provide adequate penalties to make this procedure by immediate prosecution effective.

This double procedure would seem to provide the Commission with sufficient authority to prevent unfair competition. If, however, experience should prove that despite its utmost efforts, unfair price discrimination persisted (our evidence shows this to be the most prevalent of unfair types of competition) then we recommend to the Trade Commission a thorough investigation of the feasibility of preventing such price discrimination by an amendment of the Sales Tax Act in the fashion set out in Annex X.

Exposure to the light of day is just as effective in suppressing unfair trade practices as in checking monopoly. We recommend, therefore, that the Commission be given the widest possible powers of investigation of, and publicity for, such practices. It should be required to publish the results of its investigations and of every major finding, and to require that firms or industries, where appropriate, publish their prices and discounts. Further, each decision published should state clearly the facts, the argument and the ruling, so that the reports would constitute a body of intelligible case law. But here again we should not wish to see the methods of the Commission too narrowly restricted by law. One of its main tasks would be to discover what technique could be made most effective in different types of situations, and to develop such techniques progressively.

There are many practices on the border line of unfairness. For the handling of these, and indeed where it seems appropriate for the handling of many others, we recommend that the Commission be authorized to use a quite informal procedure. Without impairing the Commission's power to apply the utmost rigour of the law, it will often be advisable to adjust complaints in an informal fashion. In such cases the Commission might function as a friendly *Referee* in business disputes, rather than as a judge or prosecutor. In fact, we regard the Commission's work in this field as in very large part educational. Although it should penalize those practices which are generally recognized as unfair and should generally prohibit those which can be demonstrated to be unfair, it should also assist in the development of customary disapproval of other practices which might then become "unfair" in the accepted standards of business conduct. "It is one of the tasks of control to attach the sentiment of unfairness to all practices which violate the social purpose . . . of competition."⁽¹⁾ Informal adjustments, appropriate publicity, and the use of fair trade conferences are the major devices for this educational work.

(3) *Fair Trade Conferences*

A fair trade conference is a conference of the members of an industry, called together by the Commission, either on its own initiative or at the request of the industry, to draw up a list of unfair competitive practices within the industry and to discuss ways and means for their eradication.

We do not visualize in this procedure the enforcement of codes of fair practice on the industry concerned, but rather the encouragement by government of self-regulation of competitive practice and a method by which industry and the Commission could co-operate with advantage to all concerned. Further, when lists of unfair competitive practices have been agreed upon as a result of these conferences, they would simplify the Commission's work of determining what constitutes "unfairness" within the meaning of the law. This procedure would also help to remove the objection now so often levelled against the Combines Investigation Act that it prevents members of an industry co-operating with a view to the solution of competitive problems because of the difficulty of defining what is or is not "against the interest of the public," and

(1) Clark, *op. cit.*, p. 155.

the possible danger of prosecution under the Act. When fair trade conferences are called under official authority, with the results submitted to the Commission for official approval, there should be no hesitation on the part of industry to participate.

(4) *Co-operation with Boards of Trade*

Closely related to the establishment of standards of fairness in competition, is the work of commercial arbitration. The Boards of Trade Act authorizes each Board of Trade or Chamber of Commerce to set up Boards of Arbitration "which shall have power to arbitrate upon and make their award in any commercial case or difference which is voluntarily referred to them by parties concerned." It is submitted that this power might very well be exercised in conjunction with the Federal Trade and Industry Commission, and such Commission might use existing Boards of Trade or Chambers of Commerce with their Boards of Arbitration to investigate commercial disputes and develop a useful system of arbitration, which might in time grow into something similar to the French Courts of Commerce. It seems somewhat strange that, with the magnificent organizations of the Boards of Trade and Chambers of Commerce in our cities and towns throughout Canada, such little use has yet been made of them for this purpose. It is our opinion that these organizations lend themselves, in this and other fields, admirably to a co-operative administrative effort with the proposed Commission. The Federal Trade and Industry Commission and our Boards of Trade and Chambers of Commerce can, and should, be welded into a closely-knit organization to referee many types of commercial disputes. As this system develops the Commission might delegate many of its duties to such organizations, reserving for itself the right of final arbitration or decision on appeal.

We do not anticipate the immediate abolition of all practices alleged to be unfair, for many of the suggestions made to us in evidence seem unwise in policy and impossible to administer. But we are strongly of the conviction that the Commission must be given the maximum possible power, gradually in the light of experience, to develop sound policies and effective methods for the complete suppression of the evils of unfair trade practices.

In summary, the Commission, acting under broad powers, with right of appeal from its decisions, and assisted by Fair Trade Conference agreements and Boards of Trade, should be in a position, on the basis of decisions rendered and cases settled, effectively to regulate unfair trade practices and develop a law merchant for business and industry.

f. Economic Investigation

Another function of the Commission and one which we consider most important, would be that of conducting general economic enquiries. A Commission of the kind which we have outlined above would, we think, be a most suitable organization to conduct investigations, not merely into unfair competitive practices, but also into trade and business conditions generally. Possibly the most valuable feature of the Federal Trade Commission in the United States has been its work of economic investigation, though that has been hampered by certain legal difficulties which need not be anticipated in Canada.

Much of the work that we have done could, indeed, have been submitted to a Federal Trade and Industry Commission, if one had been available. In Chapter I of our Report, we referred to the numerous requests for investigation into conditions in various trades and industries, which we were not able to meet. This, in itself, shows how great the need is, and how useful a permanent body might be to carry on such investigations.

The greatest value of investigatory work of this kind is the publicity which it gives to the matter being investigated. Such publicity may often, of itself, provide adequate remedy for the problems involved or the charges made, and

thereby obviate the necessity of administrative action. We feel, therefore, that the Trade and Industry Commission should be required to publish reports of its investigations. For this, if for no other reason investigations should be undertaken by the Commission only after careful consideration and exhaustive preliminary preparation. Finally, this phase of the work of the Commission should be closely related to the facilities for general statistical investigation which the Dominion Bureau of Statistics now possesses.

We are prompted, at this point, to emphasize that the investigations of the kind we have outlined, or indeed, the search for a solution of any of the problems of public control of business, cannot be successfully prosecuted without more knowledge than is now available from official sources. More extensive and continuous statistics and more complete analysis and interpretation are required. In connection with special matters, we have previously referred to this need for improved statistics. We would supplement these references with the following recommendations, which we feel bear directly on the work of our proposed Commission, and which envisage close co-operation between this body and the Bureau of Statistics.

Up to the present, statistics of industrial production and distribution, though they are published in considerable detail, have been lacking in interpretation and analysis from a general point of view. In other words, there has been little study of the broader tendencies and characteristics of industry and distribution in Canada, supremely important as these tendencies are, and extensive as is the body of materials for such study now in existence.

Such phenomena as the integration of industrial operations, the relationship of capitalization to real capital and of the latter to numbers of employees, the relationship of wages to salaries and of both to net production and prices, the relative productivity of capital and labour in large-scale and small-scale operations, power supply in relation to the utilization of labour, etc., should be made subjects of special analysis from time to time. It is only by viewing the economic structure from such standpoints that much of the significance of current trends can be appreciated.

Turning to wider fields, there are other factors and tendencies in the modern economic world that should be brought under systematic investigation and measurement. A subject of great importance is the distribution of the national income. As is well known, many aspects of the recent depression have been attributed by a certain school of thought to the mal-distribution of income or purchasing power. Some light would undoubtedly be thrown on this theory by adequate statistics showing the trend in savings and long-term debt, the effect of mechanization on wages, and other cardinal features in present trade and industry.

In the Dominion Bureau of Statistics the Government has an organization planned for general statistical research involving a conspectus of the economic structure as a whole. The Bureau works in co-operation with the various Dominion and Provincial Departments having jurisdiction in particular sections of the field, but it is thought that its machinery would be strengthened and its usefulness enlarged if there were attached to its administration an advisory council somewhat similar to the central statistical organizations of other countries—the Committee to include representation of Provincial Government, and added representation of special economic interests *ad hoc*. Finally many of the gaps in our statistical information could be filled, in part at least, if there were made available to the Bureau the information now in the files of certain other departments, such as the Department of National Revenue.

In short, we recommend that the general statistical work of the Bureau be considerably extended and that the Federal Trade and Industry Commission should exhaust the information available in the Bureau before proceeding to its investigations into specific situations or into problems of the general economic significance of various policies between which it must choose.

g. The Regulation of New Securities Issues

A final function of the Trade and Industry Commission should be the protection of the investor. We have previously recommended several amendments of the Companies and other Acts, for which no new administrative provision is required. We have also recommended, however, the regulation of new security issues through a Securities Board. This new activity is so closely associated with other phases of the regulation of business practice, that the Board should constitute one of the divisions of the Commission.

h. Conclusion

In this discussion, we have not previously raised the question of constitutionality, which we simply refer to more competent authorities in the belief that what is necessary, from the point of view of economic and social policy for the Dominion as a whole, can and will be made constitutionally possible.

We have been forced by the evidence before us to conclude that the situation calls for a frank recognition of the necessity of more state intervention in business. We have proposed various detailed remedies for particular situations, but these alone are not sufficient. With a full recognition of the difficulties involved we urge that the problem be faced in a forthright and unified fashion by the creation of a Federal Trade and Industry Commission which, in summary, would have the following powers:—

(1) Administration

- (a) To enforce the Combines Act for the purpose of retaining and restoring competition when possible.
- (b) On instruction, to regulate monopoly.
- (c) On instruction, to sanction and supervise agreements to modify cut-throat competition, and thereafter to regulate such industries.
- (d) To prohibit unfair competitive practices.
- (e) To supervise generally, or co-operate in the administration of existing laws relating to merchandising and business practices for which no other agency exists.
- (f) To administer new laws for the protection of the consumer.
- (g) To administer the regulation of new security issues for protection of the investor.
- (h) To co-operate with Chambers of Commerce and Boards of Trade in the development of commercial arbitration or the refereeing of business disputes.
- (i) To co-operate with other Government agencies, whether federal, provincial or municipal, in the solution of trade and industrial problems.

(2) Advice

(a) To Government

- (i) To recommend to the Governor in Council the recognition and regulation of monopoly in special situations where competition cannot be restored.
- (ii) If so requested by an industry, and after investigation, to recommend to the Governor in Council the granting of powers of "self-government" in special situations where competition seems undesirable.
- (iii) To recommend to the Governor in Council such regulatory measures as each such situation seems to require under (i) or (ii).

(b) To Industry

In co-operative trade practice conferences to advise industry and secure its advice about the elimination of unfair trade practices.

(3) *Investigation and Publicity*

- (a) Full power to inquire into the organization and practices of any industry.
- (b) General economic investigation.
- (c) Full publicity to the results of any investigation.
- (d) Authority to require that firms or industry published such information about prices or other matters as may be in the public interest.

We recommend, that is to say, not only the most complete maintenance or restoration of competition, where that is possible, but also gradual, progressive, and effective regulation in that growing field of business enterprise where monopoly or imperfect competition will continue inevitably to develop, and, if unregulated, will continue to exploit the primary producer, the wage-earner, and the consumer, in the shameful ways so often disclosed by the evidence before us. We propose the first steps to the goal that has been well described as "the socialization of monopoly and the civilization of competition." Unless we can achieve this goal in the reasonably near future, there may well be forced upon us changes in our economic, social, and political organization beside which our proposals, important as we believe them to be, will pale into insignificance.

(Signed) W. W. KENNEDY,
Chairman,

H. H. STEVENS,
J. L. BARIBEAU,
THOMAS BELL,
O. L. BOULANGER,*
A. M. EDWARDS,
SAMUEL FACTOR,*
JAMES L. ILSLEY,*
D. M. KENNEDY,
MARK SENN.

*Messrs. Boulanger, Factor and Ilsley have signed the Report subject to the reservations set forth in the memorandum which follows immediately.

MEMORANDUM OF RESERVATIONS

By Messrs. Oscar L. Boulanger, Samuel Factor, and James L. Ilsley

Although we concur in the main with the report, we feel that there are parts of it from which we should record our dissent. There are other parts where we are not in complete agreement with the text, but to which reference in detail would serve no useful purpose. Finally, there are sections which, in our opinion, place too much emphasis upon relatively unimportant matters and in others there are omissions of what we regard as significant facts and conclusions. We feel that, in part, this general situation in the report has developed because of the failure to follow logically the statements and implications contained in Chapter II which sets out the general economic principles involved. We are in entire concurrence with this Chapter and feel that our reservations are more in keeping with its spirit than are the corresponding parts of the majority report. In the following addendum we set forth our main points of dissent but before dealing with the chapters *seriatim* we desire to make the following general observations.

First, the report does not, in our opinion, sufficiently stress the importance of external trade in the Canadian economy. We believe that possibly the greatest single cause for the distress of the primary producers and the working population of this country is the collapse of our external markets and our foreign trade in or about the year 1930. We think that Mr. Young, in his dissenting report, traces correctly the root causes of the distress of the nation and that the majority report fails to lay sufficient emphasis upon these fundamental factors. We feel that the distressed farmer or workman reading the main report would conclude that the remedies suggested there, which are after all palliative in nature, will solve his problems. This result would be most unfortunate, for until there is a restoration of international trade these problems will not be solved. If external trade remains at its present low levels, or sinks to lower ones, this country will have a more greatly reduced national income and consequently lower standards of living. No redivision or redistribution of the national income—whatever it may achieve in the way of equity—can possibly prevent such a reduction. We desire to make this point perfectly clear for it is not given sufficient weight in the majority report.

Secondly, in parts of the main report there is a disposition to regard prices as being easily controllable by regulative measures of one sort or another, such as marketing schemes, regulation of business practices of large corporations, and control of corporate profits. We have been impressed time and again by the evidence presented before the Commission that such regulative measures have, and can have, only a very slight effect relatively upon the principle of supply and demand. Our point may be illustrated by a brief reference to the tobacco and live stock industries.

If there is one industry in Canada which lends itself to the adoption of a marketing scheme it is the tobacco industry. In respect to it a very ingenious marketing scheme has been agreed upon by the primary producer, the merchant buyer, and the manufacturer, under which the price was fixed at 25c. a pound for the crop of 1934, whereas in 1933 it had been approximately 19c. We do not know to what extent this increase can be attributed to marketing control, for there was, in 1934, an increase in the price of tobacco in the United States to a level approximately 100 per cent higher than that of the years before, resulting in a demand in the English market for Canadian tobacco at prices higher than those fixed by the Canadian Marketing Agreement. As Canada produced

a surplus for export, which was purchased by the English buyers, this factor would have brought about in any event the increase which took place in the price of Canadian tobacco, a result to which the substantially smaller crop of 1934 would have also contributed. From this it can be seen that there were numerous factors at work, all of which would have contributed to increasing the price of tobacco even though the marketing technique in the industry had remained unchanged.

In respect to live stock it may be noted that the price of hogs in Canada remained at low levels until artificial scarcity occurred in 1933 in the English market because of the operation of the quota system on bacon. The effect of this was to increase the price of bacon in Great Britain and consequently the price of hogs in Canada rose. It appears to us that without some such influence on supply or demand, or both, the same result could not have been attained.

Recently the relative scarcity of cattle in the United States has caused a rapid increase of prices there, with immediate effects upon Canadian cattle prices; these effects could not have been brought about by anything short of an alteration in fundamental market conditions as distinguished from marketing methods.

The three instances cited above all illustrate the rapid and irresistible operation of the law of supply and demand. It would be a mistake to minimize the importance of this law and to lead the producers of this country to believe that superficial and palliative measures, useful as they may be, would do for them what a fundamental alteration of market conditions will do. Except in so far as we dissent in these reservations from the recommendations of regulative measures contained in the main report we agree with them; but we do not wish to over-emphasize their power to alter the fundamental and underlying conditions. Regulative measures must play a relatively unimportant part when compared with the general and powerful forces to which we have alluded.

Thirdly, it follows that the problem of the primary producers of this country is lack of profitable markets. The importance of markets as distinguished from marketing methods cannot be over-stressed. We do not, of course, deny that the most efficient marketing methods should be adopted, but we feel that this relatively less important aspect should not be exalted over the vitally important one. There is, in our opinion, some tendency to do this in the main body of the report.

Fourthly, we would emphasize that there is no easy or effective regulation of monopoly, or quasi-monopoly, by government intervention. If competition practically disappears, in spite of every effort to preserve it, and monopoly develops, there is a more effective remedy at hand than regulation. We refer to a lowering of tariffs to permit foreign competition. Unless the monopoly is international in character, this remedy should prove effective. The customs tariff should not be regarded as something sacrosanct, but as a servant to be used for the protection of the public interest in free competition.

Fifthly, we feel that throughout the report there is a tendency to consider inadequately the interests of the consumer as such. Although we realize that the tendency of the present time is not to think of consumers as a coherent group but rather to think of the various subdivisions of society entirely in the capacity of producers, there is still a general problem here worthy of consideration. As we see it, our problem is not only to increase the income of certain groups, which idea seems to dominate the main report, but also to increase the total income of the country. Therefore, we consider that if the Commission which the report recommends should ever be involved in fixing prices, these prices should be altered downward, not upwards. We realize that there is a demand today that prices be raised, but the problem is not exclusively one of raising prices. It is mainly a problem of equalizing various price groups, and if it is urged that some prices should be raised, we wish to point out with equal force that

prices of many monopoly and semi-monopoly goods should be lowered. We feel that one of the greatest dangers of the present monopolistic concentration in industry and commerce in Canada is that the large organizations will fix prices at levels which are not too low, but too high; in this way the general consumer interest may be injuriously affected. Mr. Young, it may be noted, very pertinently points out in his dissenting report that the main general interest, as distinguished from particular interests, is that which we generally describe as the consumer.

It will be realized that the above view of the functions of the Federal Trade and Industry Commission is at variance with that expressed in parts of the report. At this junction, however, we should like to point out that the view expressed here is a logical development of the principles enunciated in Chapter II of the report. It is our firm conviction that the Commission's function, in so far as it is to interfere with prices, should be to unfix and unpeg, rather than to fix and to peg prices.

With these general observations in mind we now address ourselves to the main report, expressing our dissent at those points which we regard as significant, it should be fully understood, however, that where we do not dissent, we are in general accord with the report, subject to the foregoing general observations.

We concur in Chapter IV with the exception of that section devoted to the meat packing industry, concerning which we shall make certain observations in our discussion of the live stock producer (Chapter VI).

We concur in Chapter V, Labour and Wages, with very minor exceptions. In many of the industries investigated the working conditions disclosed were shocking, and with all the recommendations set out in this chapter and designed to improve those conditions, we are wholly in accord. We are of the opinion, however, that the section of the chapter relating to the effect of mass buying on labour fails to point out a significant and important fact. The activities of the mass buyers may have been harsh and selfish, but when consumption declined in 1930 and the succeeding years, due to loss of consumer purchasing power, they were instrumental in actually creating more employment in certain industries than would otherwise have been the case. This is particularly true, we think, in the furniture, clothing and, possibly, the boot and shoe industries, where the mass buyers' activities had very marked effects. The advertising of cheap goods at special sales, the successful and continuous pressure on the buying public to purchase, did, we think, have the effect of forcing into consumption a substantial greater volume of goods than would have been the case had these activities not been carried on. The result was that in the depression period more workers were employed in producing these goods, though at a lower wage level, than would otherwise have been the case. For the labour directly employed, it would probably have been better for the wage level to have been maintained. Such a policy, however, would inevitably have resulted in less employment.

Though we are fully aware of the complexities and difficulties of this question of wage levels and their effect on consumption and employment we desire to express here our opinion that employment, though often at disgracefully low wage levels, was indirectly provided by the mass buyers and their price-hammering tactics. To omit this fact would be to give an incomplete picture of the situation.

In respect to Chapter VI, we do not concur with any proposals or recommendations which, if carried into effect, would result in two price levels, domestic and foreign. In plain language, this merely means maintaining by government action a fixed price at home for certain selected commodities, and "dumping" the surplus abroad. Apart from the complexities of administration and execution involved in such a policy and its very doubtful efficacy, even as a palliative, we would point out that official recognition and encouragement of such a policy

of "dumping" might well provoke those retaliatory measures from foreign countries which we, ourselves, have shown such zeal in applying when goods are being imported into Canada.

With much of the section of Chapter VI dealing with the Livestock Producer, we are in disagreement; a disagreement which covers also part of the section of Chapter IV on the Meat Packing Industry.

In some instances, the evidence is not in our opinion correctly interpreted; for example, the statement in Chapter VI, to the effect that the evidence showed that trucked-in stock brought the farmers generally a much lower price than that sold otherwise, is inaccurate. The evidence on this point, as we read it, was rather to the effect that the dressed cost to the packer of trucked-in stock was lower than the cost of that purchased otherwise—a very different thing. There are other statements in this section to which we could take similar exception. We are not, however, so much concerned with isolated statements in these chapters with which we disagree, as we are with the major contentions and recommendations contained therein. As to these, we offer the following observations, not dogmatically, but as our considered opinions.

The majority report overstates the monopolistic character of the Packing industry. The competition therein is still considerable. About 50 per cent of the livestock is purchased by buyers other than the packers. Among the packers, Canada Packers holds, it is true, a dominating position, but there is, we think, real competition between that company, Swift's Burns, Gainer's, Wilsil's, Hunnisset's, and the smaller packers. There was direct evidence of such competition. The evidence to the contrary related to understandings between packer buyers at the stock yards. These arrangements do not appear to have been hard-and-fast, or binding, and we think that they would have been broken by any packer-buyer if they prevented him from obtaining the supplies required. Nevertheless, any further concentrations in this industry would be dangerous. The resulting evils of monopoly would be very injurious and every precaution should be taken against such a development.

"Regulation of supply" is listed as one of the objectives of Governmental endeavour. We gather from the context that this means that farmers should be prohibited from selling cutters and canners and "old and thin" stock, for meat. We are opposed to this prohibition. No one has suggested that this low-quality beef is not nutritious. To prohibit the sale of this beef would deprive hard-pressed farmers who have it to sell, of part of their income, and it would mean that poor people who can now buy this low-quality but nutritious beef very cheaply, would be deprived of the benefits of cheap food. We agree that the most thorough steps should be taken to keep diseased meat off the market, and also to prevent the sale of poor-quality beef as good-quality beef, but this is as far as we should like to go.

We are not satisfied that direct shipments "break down" stock yard prices, at least to the extent indicated by the majority report. While it is true that direct shipments reduce packer-demand on the yards for live stock, it also reduces the supply proportionately, and it is quite possible that the net result on stock yard prices is negligible. A more valid objection to direct shipment of a large proportion of live stock to the plants is, we think, the resultant decrease in business done on the yards, and the consequent effect on stockyard charges, which are, of course, likely to be increased—the fixed charges being the same and the number of head going through the yards being smaller.

We do not consider ourselves justified on the evidence in concurring in the recommendation that fees to Commission Agents should be partially changed to a percentage basis. This would probably be advisable if live stock prices were stable. There have, however, been wide fluctuations in recent years. If the percentage were fixed at a level sufficient to give the agent a fair return for

his labour at a time of abnormally low prices, he would receive much more than a fair return for his labour in a period of high prices. In this event the farmer would lose, rather than gain, by the change. Moreover, if the agent is paid on a percentage basis, he will get much less in some cases than others for the same work. There is the same work in selling a car of cutters and canners as in selling a car of choice steers—perhaps more.

There appear to be too many Commission Agents in some of the yards. This would indicate that the fees at the present time may be at too high a level. This is the situation that should be corrected, rather than the basis of fees. There is a strong incentive now to Commission Agents to get as good a price as possible, so that they will retain and extend their business. We doubt if the additional incentive afforded by a percentage basis would be more than negligible. We concur in the recommendation that Commission Agents should be licensed directly by the Dominion Government. In particular, their numbers should be more carefully controlled.

While we think the evidence justifies a careful review of the price differentials between hog grades, with a view to having them fixed on the fairest possible basis, we doubt whether a change, as recommended, would give the farmer any greater return in the aggregate for his hogs, or result in the packer paying any more for them. The probability is that the packer would instantaneously adjust himself to the changed differential and pay on a basis that would involve the same outlay for hogs as on the old basis. The persons to whom a change of differential would be a benefit or a detriment are not the packers but the producers of the respective grades. Differentials that are too great operate unjustly against the producers of low-grade hogs, and differentials that are too small, operate unjustly against the producers of high-grade hogs.

We agree that farmers should be free, if they wish, to sell their hogs grade by grade, and we think that this may bring into play some additional competition from wholesale butchers, etc. Care must be taken, however, not to do away with the incentive to produce high-grade hogs, and the farmer should continue to be free to sell his hogs by the carload or lot, if he wishes.

We are of opinion that rail grading should be compulsory. Where adopted, this system has had the effect of giving the producers of high-grade hogs a better return. It is a much more exact method of grading than grading on the hoof. Every country, except Canada, shipping bacon to Great Britain grades hogs on the rail.

We do not concur in the recommendation that all cattle be graded, for the following reasons: (1) We have received no complaint that cattle are dishonestly or inaccurately classified at the present time. (2) The Commission Agents on the stockyards now bargain with the packer-buyers as to the price of the cattle, and are probably as good judges of the grades as the packer-buyers. (3) If Government graders were put into the packing houses, as well as on the yards to grade the cattle, direct shipment of cattle to the packing plants would increase, which, we think, would be unfortunate. (4) The institution of a system of cattle grading would further expand the number of Government employees, and the burden on the taxpayer.

We agree, however, with the recommendation that cattle should be graded for export, provided this means that qualitative regulations applicable to cattle for export should be made and enforced. In other words, there should be a standard up to which export cattle should be obliged to measure.

On the evidence, we are unable to come to the conclusion that a further limitation of the amount of bacon to be called Grade A, would be advantageous. The probabilities are that the packing companies are getting as much as they can for export bacon. The packers, we think, benefit, both from a rising market and from high prices, and not from a falling market and low prices, and it is

reasonable to assume that the nomenclature they apply to the bacon exported is fixed as nearly as they can determine in the interests of the maximum possible returns from the British market. If, say, 25 per cent instead of 75 per cent of the bacon exported were called Grade A, this 25 per cent would doubtless bring a higher price than the 75 per cent, but we are unable to see how the total return for all the bacon sold in Great Britain and Canada would be affected in the slightest degree by this narrowing of the A Grade.

The majority report appears to suggest that the existing channels of distribution of Canadian bacon in Great Britain should be in some way interfered with, or altered. We cannot agree with this suggestion. The distribution machinery of Great Britain is of long standing, and can be thrown out of gear very easily by indiscreet meddling on the part of overseas interests. We have already in another connection experienced unfortunate results from such interference. The important preferences which we have in the British market, should not be jeopardized by ill-timed efforts to improve the internal distributive arrangements in Britain. The packing interests of this country have, presumably, made such arrangements for the marketing of their bacon as net them the highest return, and we doubt the wisdom of interfering with those arrangements.

We agree with the recommendation that direct shipments to packers' yards be subject to the same rules of weighing and publication of prices and deliveries as the public stockyards, adding merely this word of caution that, if this is done, we may expect more direct shipments, rather than fewer, as one of the existing reasons for selling through the stockyards, would disappear. We disagree, however, with the recommendation that shipments to packers' yards be subject to the same rules of sales competition as shipments to the public stockyards. As we understand this recommendation, it means that direct shipments are not to be prohibited, and that farmers will still be free to sell their livestock by private treaty to the packers at their plants, without putting them through competitive bidding. Many farmers ship direct to avoid the expense of such bidding. The provision of the same facilities for sales competition at the plants as now exist on the public stockyards, would, in effect, mean that every packing plant in Canada would have to fit its yards up as public stockyards, subject to the provisions of the Livestock and Livestock Products Act. We have no estimate of the cost of this. Whatever it may be, it would eventually be passed on by the packer either to the farmer or the consumer, or both. The provision of competitive bidding facilities in every packing plant would involve a duplication as costly as it is unnecessary. We invite consideration of what would occur,—for example, in Toronto and Winnipeg. Moreover, these intra-plant stockyards would not be used. The farmer shipping direct to avoid yard charges, would not use them. The farmer desiring to sell on the yards, would use the stockyards already provided, where there would likely be more competition among buyers. We understand that if this recommendation were carried out, at least 35 packing plants in Canada would have to make important alterations in their yards, converting them virtually into public stockyards. There are a few points where there are no public stockyards, such as Kitchener, Stratford and Hamilton. If competitive facilities are to be furnished at these points, it should be by the establishment of public stockyards in the regular way, rather than by the provision of competitive facilities at the plants. Indeed, the principle of packer ownership of stockyard premises, is wrong, and should not be extended by the carrying out of any such recommendation as the one in question. Moreover effort should be directed toward the elimination of duplication, not its extension.

The main recommendation of the livestock section of the report provides for the establishment of a Board of Livestock Commissioners. That recommendation we cannot accept.

We are only too anxious to support any proposal that would help the livestock producer. Like other primary producers, his plight has been desperate and he is deserving of every possible assistance that government can afford him. At the same time we feel that proposals which hold out high hopes of beneficial results which cannot in fact be realized, can only bring disillusionment and further despair.

It is for this reason that we disagree with and doubt the wisdom of the recommendation for setting up the above mentioned Board. Our specific reasons for such disagreement are as follows:—

The duties of the Board enumerated in the majority report,—in so far as these are not what we consider improper, for the reasons mentioned above, or so vague as to be virtually meaningless,—are, in our opinion, all duties of the Department of Agriculture. It should be remembered that the promotion of the interest of livestock producers, is one of the main functions of the Dominion Department of Agriculture, and of every Provincial Department of Agriculture in Canada. A department of the Canadian Government is divided into branches, and branches into divisions. There are three branches of the Department having to do more or less with livestock, the Livestock Branch, the Health of Animals Branch, and the Experimental Farms Branch. The Livestock Branch has three divisions, as follows: (1) Livestock Market Services, including the administration of the Livestock and Livestock Products Act, with regard to supervision of central livestock markets (stockyard facilities and services, and operations of sales agencies), hog grading and publicity and statistical services regarding all phases of livestock marketing; (2) Livestock Field Services, including activities concerned with the improvement in production, breeding and feeding of cattle, sheep and swine; grading and distribution of pure bred sires; Boys and Girls Clubs; beef and bacon grading; record of performance of dairy cattle; and (3) Poultry Services, including production, inspection, grading, publicity and marketing activities concerning eggs, poultry and dressed poultry.

All these branches are adequately, and we think, efficiently staffed. In the Livestock Branch alone, the outside staff number 187 permanent and 86 temporary employees, with the addition of about 80 seasonal employees at certain periods, and the inside staff numbers 52 permanent and 13 temporary employees. It is undesirable to expand the Civil Service except in a case of clear necessity, and we are not satisfied that any such necessity exists. If the producers desire to organize under the Natural Products Marketing Act, that is a matter for themselves, and their scheme or schemes will, we assume, be dealt with by the Dominion Marketing Board and by the Governor in Council, on their merits. Meanwhile, a recommendation that a Board be arbitrarily imposed upon the industry from above is one that we cannot concur in, and strongly oppose.

With that part of Chapter VI, dealing with the Fishing Industry, we are for the most part in thorough agreement. The earnings of the fishermen of Eastern Canada are distressingly low, and every possible step should be taken to increase them. We do not think, however, that the disparity in bargaining power which the majority report stresses, is nearly as important as the lack of markets. The all-important market for fresh fish is the United States market. By far the greatest benefit that could be conferred on the fishing industry of Eastern Canada, would be free access to that market. Failing that, the supply so easily outstrips the Canadian demand that prices for fish marketed in Canada are insufficient under present conditions to yield the fisherman a living. Not all the bargaining power in the world can alter that fact. As to fish marketed abroad, foreign markets are bad, for reasons set out in the Report. While we agree that every possible improvement in marketing methods should be made, we feel that all such improvements are of minor importance as compared with the widening of markets. To pretend otherwise, is to delude the fisherman with false hopes.

The main recommendation of the Report is that a Fisheries Control Board be set up under the Natural Products Marketing Act, either on the request of the

fishing industry itself or, in the absence of such request, by the Governor-in-Council, this Board to include processors, as well as primary producers and to have control over all branches of the fishing industry. This Board would leave the marketing of fish in private hands, but would intervene from time to time for the purpose of eliminating the more pressing disabilities. The successive steps which it is suggested the Board might take are enumerated in Clauses (a) to (g) in the concluding section of this Chapter of the majority report. A system of licensing is proposed as a means of exercising administrative authority. At least five local Advisory Committees are to assist the Board, each Committee dealing with a branch of the industry. This proposal deserves, and has received from us, careful consideration. We have approached it in a spirit of receptivity, and of sympathy with the efforts of those striving to help the fisherman, whose interests we are most sincerely anxious to advance. It is, however, our matured opinion that the scheme would do more harm than good, for the following reasons:

There are so many branches of the industry, each with different problems, that one marketing board controlling them all, could not work effectively. Any organization for marketing should start from those engaged in the respective branches. The problems of each branch could then be dealt with by those familiar with such problems, and marketing plans or schemes could be worked out in a definite way, setting up such mechanism and objectives as thought fit by practical men engaged in the business. For example, the smoked herring fishery of Grand Manan might be advantageously organized for better marketing.

Then too, we doubt the practicability of including fishermen and distributors in the same Board. The distributors seem to feel very strongly that their marketing methods should not be interfered with by a Marketing Board, which would doubtless, at times be discouragingly slow-moving and, at other times, arbitrarily speedy. The marketing of fresh fish is difficult and complicated. The product is extremely perishable. There are many competing food products. Consumption fluctuates widely with consumers' purchasing power and consumers' taste. The price of competing foods has an important bearing on the quantity and price of fish sold. As a result, those engaged in distribution can have few set rules. A wide knowledge of markets all over the United States and Canada is required, as well as the ability to make rapid and right decisions, and the capacity for adaptability to sudden changes in conditions. A business such as this is not suited to marketing-board operation. If the Board intervenes to any extent, the sensitive marketing mechanism is thrown out of gear and markets are lost, with disastrous results to the fisherman.

For these reasons, those engaged in the distribution of fish are strongly opposed to Governmental or Board interference with their marketing activities. This attitude is only material in so far as it bears on the fisherman's welfare, for we are looking at the problem from his point of view, but the retention and extension of the market is the foundation upon which the fisherman's livelihood depends. Therefore, we fear that well-meant, but inept intervention by such a Marketing Board as is recommended, might damage or even paralyse the entire fresh fish industry, with the result of still greater distress for the thousands of fishermen on the coasts of eastern Canada.

Furthermore, we do not know how the fish companies of Nova Scotia can be compelled to co-operate either with each other or with the fishermen. Co-operation must be, at least to a large degree, voluntary. We think, therefore, that the emphasis should rather be laid on the encouragement of the co-operative efforts that are being made by the fishermen themselves. The Reverend Dr. Coady told us something of these efforts. He and his associates have rendered highly valuable services to the fishermen in organizing and encouraging co-operatives. These are, however, producers' and consumers' co-operatives, each one restricted in territorial scope and operating on a principle very different from that which would govern a large organization of producers and distributors. Dr. Coady, in his evidence stated that any steps towards organization of the

fresh fish business and the marketing of fresh fish, should be taken very cautiously. He did not suggest that they should be in the direction of a Marketing Board such as is proposed. Indeed, it is a striking fact that, although the fishermen who presented their case to the Commission, had leadership and advice in its preparation, they did not submit any marketing scheme or plan of organization. Had any such scheme been practicable, it is reasonable to conclude that it would have been so submitted. There is a noticeable lack of detail, both in the evidence and in the majority recommendation, as to the proposed Board. It is too general in character to be helpful. We would not be justified in concurring in a recommendation to set up a Board with such vague and undefined functions. On the contrary, organization should be initiated by those in the industry who have something definite in mind, and should to a great extent be governed by the principles of self-regulation and self-discipline.

We have read with interest Clauses (a) to (g), enumerating the steps the Board might take. Agencies already exist, or are elsewhere proposed in this report, for the discharge of these duties. The elimination of consignment shipments, of "cut-throat" competition and other unsound trade practices, would be desirable if possible but, although these practices have been under fire for many years, no definite proposal for their elimination has ever been made, nor is one made in the report.

As to licensing, we do not know what the majority report contemplates, but a Board would undoubtedly have to resort to licensing if it were really to control the industry. Control of distribution, in order to control price, would involve control of production. The licensing of fishermen and the restriction of fishermen to quotas of catch, would doubtless follow. This is not practicable, nor would it be welcome.

The fish trade should be kept under vigilant surveillance and the remedies provided by the Combines Investigation Act should be promptly and vigorously applied when necessary, to preserve real competition in the buying of fish. We think that, despite suggestions to the contrary, there is a fair measure of competition at the present time. Destruction of this competition either by monopolistic combination or by Governmental intervention, would be most injurious to the fishermen. The strengthening of the administration of the Combines Investigation Act, later recommended in this report, should prove of value to the producers in this connection, and should prevent the development of abuses in the purchase and handling of fresh fish by the distributors.

For these reasons, and because costly extension of Governmental or semi-Governmental Commissions and Boards (in danger of being carried to excess at the present time) is undesirable unless imperative—we cannot concur in the recommendation in question.

We have signed Chapter VII, Distribution, subject to the following reservations:—

We frankly admit that there is much to be said for what our Report describes as "the persuasive argument often advanced in the defence of mass buying"; an argument which contends that when the farmer has lost the greater part of his income due to the collapse of essential foreign markets, the goods which he buys must be made cheaper. We admit that it would be better to raise the price of what he sells rather than to lower that of what he buys. Efforts of governments in recent years however directed to the raising of agricultural prices, have, for the most part failed. They certainly have not succeeded in Canada. We, therefore, cannot feel sanguine over the possibility of helping the farmer by this method. In respect to the alternative, therefore, we cannot help but feel that agencies such as mass merchandisers have to some extent rendered a social service in forcing prices down sharply and promptly at the beginning of the depression to the benefit of the consumer. We admit this without prejudice to our condemnation of those unfair competitive practices which have crept into the mass merchandising system, and to which we refer more fully below.

One practice, that of loss leaders, has, we think, been overstressed as a factor in depressing prices to the primary producer. We agree that as sometimes used, this practice should be condemned but we would like it clearly understood that our disapproval in this connection does not imply any approval of the policy of resale price maintenance.

Finally, we would prefer to phrase the conclusions to Chapter VII as follows:—

First, by reason of certain economies it has effected, large-scale merchandising has won for itself a permanent and important place in our economic system. Sympathy for those individuals injured or displaced by this development should not obscure the net gain which has resulted from the application of improved business methods in merchandising generally. More scientific buying, better credit control, better accounting methods, and other characteristic economies, first introduced by large-scale merchandisers are economically desirable, and are now accepted as such by all merchants.

Second, the development of mass merchandising has not resulted in unqualified social gain. Like any other social change, its benefits and services have been mixed with some losses and disservices. Such losses centre around the gradual disappearance of the personal factor in business.

Third, despite this general change, there is strong evidence that, in the field of merchandising, this personal factor is still so cherished that, even in modern life, there remains a definite place for efficient individual merchants. Despite the rapid growth of chain and department stores during our last period of prosperity, there seems to be no reasonable ground for the fear that a small group of large corporations can pre-empt the entire field. Large-scale organizations anywhere, but especially in a field still relatively so little subject to standardization of product and service as merchandising, reach a point of development at which operating and managerial efficiency is at its maximum and beyond this point they cannot profitably expand.

Finally, mass merchandising has thrown into clear light and in some cases has induced certain "unfair" practices. Some of these, price discrimination, secret and discriminatory rebates, loss leaders as sometimes used, unearned advertising allowances, and discriminatory free deals, are, we agree, unfair in the economic sense; others such as deceptive packaging, misleading advertising, and short weighing are unfair in the ethical sense. We condemn these, but feel that such condemnation need not, or should not be extended to mass merchandising, as such.

We are in general agreement with the recommendations contained in Chapter IX. We must dissent, however, from recommendation (c), which gives the proposed Federal Trade and Industry Commission the power to recommend that combination be allowed in a competitive industry. We realize that when this recommendation is read in conjunction with the section of the Chapter dealing with the problems of control, it (recommendation (c)) may appear to have less significance than when it is read alone. Nevertheless we are of the opinion that this recommendation tends in the wrong direction and is not sound.

Industries which ask for such power usually want it—despite assurances to the contrary—for one purpose, and that is to control prices. We have stated before, and need not repeat here, that such price control is generally undesirable. If a competitive industry is in a chaotic condition—then the quickest and in the end the least injurious method of recovery is to allow economic forces to work themselves out. There is abundant evidence available to support this view. It seems to us that many of the economic problems raised in the evidence given before us, arose primarily out of, and were manifestations of, monopolistic power. And indeed, much of the main report has been directed to the solution of this very problem. Therefore, it seems illogical to permit, and indeed, to assist by law, these very conditions of monopoly which have led to so much difficulty. We

can see no sufficient reason for sanctioning such power, especially in view of the difficulties in the way of monopoly control. It may be possible that experience may in time demonstrate the need for it, but for the present we most strongly oppose this recommendation.

It may be objected that to confer on the Commission (as is done in recommendation 2) the power to recommend that specific industries be declared monopolistic, exempt from the operation of the Combines Investigation Act and subject to regulation by the Commission, is itself to countenance, approve and sanction monopolies. We do not view the recommendation in this light. We are strongly of the opinion however, that no industry should be declared a monopoly unless all attempts to restore competition and make it a competitive industry have failed and unless it is clear that all such attempts are likely to fail. It is only in these instances, which we hope will be very rare, that the Commission should recommend that the industry be declared a monopoly and subject to regulation as such. It should be realized that to declare an industry to be monopolistic in character, and therefore subject to Commission regulation, is to make an exception to the rule that competition alone should be the regulating factor. As our whole competitive economy is based upon the desirability and reality of competition between the industries responsible for the bulk of the production and business of the country, no industry should be enabled by application to the Commission to change its status and thereby qualify itself for exceptional treatment, which in some instances might possibly be of advantage to it, without solemn sanction by some governing body or institution. The majority report recommends that this governing body or institution should be the Governor in Council; we think it should be Parliament itself. There are situations in which prompt action is imperative and in which such action should be taken by the Governor in Council; but this is not one of these situations. In the very nature of the case there will be no great urgency, no need for emergency action. There will first be the fullest investigation of the industry; next there will be a recommendation by the Commission, and there seems to be no good reason why the matter should not then remain in statu quo until Parliament considers the evidence and the recommendation, and gives its sanction, after such debate as may be considered necessary to that fundamental alteration in the status of the industry which will be involved in declaring it a monopoly.

We should like to point out an apparent duplication of jurisdiction if the majority recommendations are carried out. Under a provision of the Natural Products Marketing Act the Governor in Council, upon the recommendation of the Dominion Marketing Board, has the power to approve of schemes for the regulation of the marketing of certain manufactured products. We are informed that under this provision several important manufacturing industries have applied to the Dominion Marketing Board for the sanction of schemes. These schemes may involve control of production and fixing of prices. We do not approve of these provisions of the Natural Products Marketing Act. They are, however, not our concern here. But we are concerned to see that Parliament does not set up another code-making or code-sanctioning authority which will have identical or similar powers. The erection of boards and commissions who gather around them a substantial service at considerable expense to the State should be avoided wherever possible. All the more is the duplication of such Commissions undesirable. We wish to call attention to the apparent duplication that will take place if the Commission is endowed with power to sanction combines as is recommended in the majority report.

We desire finally to refer to one further question, namely, that of the constitutionality of the legislation creating the Federal Trade and Industry Commission which it is proposed to set up.

The majority report recommends that the general functions of the Commission, among others, be as follows:—

➤ (a) Administration of the Combines Act.

- (b) To supervise generally, or co-operate in the administration of existing laws relating to merchandising and business practices for which no other agency exists.
- (c) To administer new laws for the protection of the consumer.
- (d) To administer a Securities Board for the protection of the investor.

It is well to remember that Parliament, in the latter part of 1919, passed two Acts, the Board of Commerce Act (9-10 George V, Chapter 37) and the Combines and Fair Prices Act (9-10 George V, Chapter 45). The purposes of these acts were in some respects analogous to the proposed Trade and Industry Commission. Their constitutional validity was challenged in 1920, and, by decision of the Privy Council, they were held to be ultra vires of the Dominion Parliament.

As a result of this decision there was no legislation on the Statute books of the Dominion concerning combinations in restraint of trade until subsequently in the year 1923 the Government of the day re-enacted the Combines Investigation Act.

We are not here questioning the constitutional validity of the proposals under consideration. We are merely emphasizing that it is of paramount importance that the constitutionality of the legislation creating the proposed Commission be established beyond doubt by the proper authorities before the functions above enumerated are actually assigned to it by legislation. Otherwise, in the event of the creation of this Commission being declared unconstitutional, the important legislation now on the Statute Books, the administration of which is being transferred to this Commission, will have no agency for its administration or enforcement. As a result, many of the Acts now being enforced by the present agencies would practically be useless.

In our opinion the adoption of the majority report, without the reservations which we have made above, would be attended with grave dangers. If the proposed Commission is given the power to recommend that competitive industries be allowed to combine for the purpose of regulating production and fixing prices; if it uses this power to any substantial extent, and if the Governor in Council approves of the recommendations made, there will be a rapid growth in the number of combines in Canada. This is a development which we cannot view with equanimity. If, combined with this growth of government-sanctioned monopoly in industry, there is a marked increase in the dumping of surpluses abroad at prices lower than domestic prices, the internal and external organization of the trade and industry of Canada will approximate that of a Fascist state. The political implications of such a development may be extremely serious; not improbably involving abandonment of parliamentary institutions and the loss of personal and political liberty.

We quote the following passage from the evidence of one witness who appeared before us (page 5090):—

I should like to suggest to the Commission that unless there is some vision beyond these group interests that society may be split up into a number of competing groups, each struggling for its own advantage. If governments find it increasingly necessary to take a hand in the preservation of a balance between struggling groups, then it seems to me that we might very easily drift into fascism without knowing it. I have been watching the development in Europe, and although we have a different attitude towards those matters from what they have, still I wonder whether we may not drift quite unconsciously into those types of government control of business, which are proving so disastrous, at least from my point of view, and I think from the point of view of most Canadians, in such countries as Italy and Germany.

We commend these observations to the serious consideration of the Canadian people.

DISSENTING REPORT

OF MR. E. J. YOUNG

We were instructed to investigate the causes of the large spread between the prices received for commodities by the producers thereof and the prices paid by the consumers thereof; the system of distribution in Canada of farm and other natural products, as well as manufactured products; the effect of mass buying by department and chain store organizations upon the regular retail trade of the country, as well as on the business of manufacturers and producers; the labour conditions prevailing in industries supplying the requirements of such department and chain store organizations and the extent, if any, to which existing conditions have been brought about by the purchasing practices of such organizations and the effect thereof upon the standard of living among those employed in such industries and organizations; the relation between the flour milling industry and the bakeries of the country and the effect of such relations upon the baking industry of Canada; the methods and system prevailing in the marketing of live stock and animal products for domestic consumption and export and the extent to which the present system affords or restricts opportunity for fair returns to producers.

Primary producers, manufacturers, merchants and employees investigated, all reported that their troubles started about 1929 or 1930. Prior to that time employers seemed to have little trouble in making ends meet and in keeping their employees at work; merchants had a sufficient volume of business at a fair profit and employees could always find work at fair wages. Towards the end of 1929, the wheels of industry began to slow down. This slowing down process spread rapidly through every branch of our national life, and all classes in the community found their business falling off and their incomes reduced.

A glance at the following figures will show what happened at that time to cause this sudden slump in business activity:—

Net value of agricultural production in Canada:—

1928..	\$ 1,501,000,000
1929..	1,034,000,000
1930..	860,000,000
1931..	538,000,000
1932..	475,000,000
1933..	464,000,000
1934..	525,000,000

Whatever the cause of this drastic decline in the value of agricultural production, the result was that in the year—

1929 the farmers' income was \$	467,000,000	less than in 1928
1930 " "	641,000,000	" "
1931 " "	963,000,000	" "
1932 " "	1,026,000,000	" "
1933 " "	1,037,000,000	" "
1934 " "	976,000,000	" "
Average for 6 yrs. "	851,000,000	" "

Some people attribute our troubles to the collapse of stock market securities in the fall of 1929. The grand total of all securities sold to the public from 1927 to 1929 was \$512,000,000. If every dollar of this vast sum had been lost completely it would have amounted to only about 60 per cent of what the farmers lost in each and every year from 1929 to 1934.

If all the farmers' expenses had declined as rapidly as his income, his purchasing power would not have been affected by this sudden decline in the dollar value of his production. He could still have bought the same quantity of goods on the lower price level as he had formerly bought on the higher level, and the production and distribution of these goods would have given just as much employment and distributed just as much purchasing power to those employed as ever it did.

But the farmer's expenses did not come down. His taxes did not come down. His interest did not come down. Retail prices did not come down. Manufacturers and merchandisers did everything in their power to maintain the prices of their wares. The government lent its aid to this short sighted policy by shutting out cheap imports that might have forced a reduction in the prices of manufactured goods. "Maintain prices in order to maintain wages!" became a popular cry. The extent to which this policy of price maintenance was carried is revealed in the following figures from the Bureau of Statistics:—

Index figures of retail prices 1926=100.

1928.	98.9
1929.	99.9
1930.	99.2
1931.	89.6
1932.	81.4
1933.	77.7
1934 (Dec.)	79.0

It will be seen from the above that during the first two years of the depression there was practically no reduction in the price of the things the farmers had to buy while his income declined nearly 50 per cent. This precipitate decline in his income, accompanied by practically no reduction in the price of things he had to buy, left the farmer in a position where he could buy only the barest necessities. In many lines he practically withdrew from the market.

There are 728,000 farmers in Canada. These, with their wives and families and their hired help, constitute a population of 5,473,000 people. To this can be added some 65,000 fishermen and 100,000 men engaged in woods operations, and their dependents, all of whom found themselves in the same plight as the farmers. These three classes, together, constitute about 60 per cent of the entire population of the Dominion—all in the position where they were unable to buy the things they needed. What did they do? There was only one thing they could do. They stopped buying. They did without things.

The first people to feel the effects of this cessation of buying were the retail merchants. Their sales fell off. Unable to sell, they ceased to buy, and manufacturers found it increasingly difficult to secure orders. With nothing for their employees to do and no revenue coming in, merchants and manufacturers alike were compelled to reduce their staffs. But every employee laid off meant one more added to the number who could not buy and a further restriction in the demand for goods, which in its turn was followed by the laying off of still more men. Soon we had an army of 500,000 unemployed. Add this number, with their dependents, to the number of primary producers, and we find that the large majority of our people were not able to buy their normal requirements. Under the circumstances, it was obvious that all merchants, all distributors and all manufacturers must suffer from declining business.

It is clear from the above that the trouble originated in the decline of the purchasing power of the primary producer. He could no longer exchange the product of his labour for the product of the factory or the service of the clerk; and the remedy lay in restoring a parity between the prices of primary and of secondary products—in restoring the exchangeability of labour. Various attempts

were made to do this by raising the prices of primary products. Governments throughout the world have tried every conceivable device to raise these prices but without avail. These products are sold largely on the world's market at prices fixed by world conditions and we can no more control them than we can control the tides.

The true remedy lay in reducing retail prices and fixed charges to the same level as the prices of primary products.

Why did retail prices not decline along with the prices of primary products? Because certain factors in the price structure had become rigid and refused to adjust to altered conditions. The factors that make up the retail price of an article are as follows: cost of material, cost of labour, interest, taxes, rent, fuel, freight, profit, depreciation.

Referring to the first item in the above, we find that the fall in the price of raw material was not followed by a corresponding decline in the price of the finished article. Taking 100 as the base price in 1926, the Bureau of Statistics reports that by 1933 the price of raw wool had fallen to 47, while the price of woollen cloth fell to only 73·9. During the same period, the price of raw silk fell to 28·2, but the price of silk fabrics to only 51·5. Similarly, while raw cotton dropped to 53·1, cotton fabrics fell to only 77·6 and the price of gingham actually increased to 103·5. The other factors in the price structure all resisted the decline as long as they could. Taxes, freight, rent, interest, labour, profit, all refused to yield.

With 60 per cent of our people unable to buy at the old prices and prices refusing to adjust themselves to the altered conditions, business was bound to languish until some force came into the market strong enough to break down the resistance of the rigid factors in the price structure. That force was supplied by the consumer. Unorganized and voiceless, he found selfish interests on every hand conspiring to extract more from him. In this they were encouraged by public and semi-public bodies and public men who should have known better. Governments were urged to spend more of the people's money and thus increase taxation. Employers were urged not to reduce production costs. Selfish groups throughout the country preached that the way out of the difficulty was to give them a larger share of the dwindling national income and in many cases they got it.

What did the consumer do? He exercised the only right he had left—the right to do without things. Then his problem became everybody's problem. The merchant was compelled to find goods at a price the consumer could pay. In many cases, to reduce prices, meant to take losses. Nobody would reduce prices if he could help it. Nobody would take losses if he could help it. But unless something had been done to bring that great body of consumers back into the market, merchants, manufacturers, wage-earners and all, would have found themselves on the street. It is useless to blame the merchants. The pressure had to be applied. It was exerted on the merchant by the consuming public. The merchant passed it on to his employees and to the manufacturer. The manufacturer passed it on to his employees and to whomsoever else he could. It is folly to blame the mass buyer. If there had been no mass buyer the pressure would have been the same and would have been exerted by the small buyers. Those who refused, or were not strong enough to exert it, would have found their business disappearing. The mass buyer was better able to exert the pressure than the small buyer. He was the first to realize the situation and to apply the remedy. It was unpleasant but it was necessary and the sooner it was done the better for all concerned.

Unfortunately, the pressure was not applied equally on all factors in the price structure or on all classes in the community. Some, through organization, or because they occupied sheltered or favoured positions, were able to resist

the pressure. But they did so at the expense of their weaker or less fortunate fellows. If all classes had borne their share equally and promptly, the adjustment could have taken place with a minimum of suffering.

One might say that the best adjustment of prices is the one at which the greatest quantity of goods will pass into consumption, for this adjustment places the greatest quantity of real wealth in the hands of the people and gives the greatest amount of employment to the workers in producing that wealth.

This being the case, it is important that no great section of the community be deprived of its purchasing power by a mal-adjustment of prices and whenever such mal-adjustment occurs, steps should at once be taken to correct it. This does not mean more government interference in business. It will generally be found that prices will adjust themselves if we remove certain hampering restrictions and privileges which interfere with the free play of economic forces.

Sound merchandising practice requires that retail prices be adjusted to changes in the prices of primary products with the least possible delay and every force that retards such adjustment might well be termed anti-social.

It will be argued that in times of falling prices because of the rigid factors in the price structure—because so many classes in the community refuse to take their share of the general deflation—it is almost impossible to adjust retail prices in keeping with the decline in the price of primary products. The difficulty is admitted but we do not consider it as formidable as the difficulty presented by the other alternative, viz., to raise the prices of primary products. In the one case, we are dealing with forces largely within our own borders. In the other, with world forces that no government has ever been able to control.

Turning again to the price structure referred to above, we find that the rigid factors in it are labour, interest, taxes, rent, fuel, freight, profit and depreciation. As prices fell, each of these endeavoured to maintain its charges at the old level, regardless of the relation those charges bore to the reward of the primary producer. In so far as they were successful they secured for themselves a greater share of the national production—but they prevented the price adjustment which was essential to keep the primary producer in the market as a buyer.

As it became more apparent that the market could not absorb goods at the prices asked, pressure to reduce prices increased and forced the weaker of these factors to yield. Profits went first. With a few notable exceptions, there has been no profiteering discovered in the investigation. Most firms have been taking losses, and took considerable losses before they attempted to cut wages. In many cases, reserves also disappeared. But the sacrifice of profits was not enough to restore the balance of purchasing power. Labour was the next to suffer. In the unorganized trades, and in some of the organized trades, workers, confronted with the choice of accepting lower wages or going without work, chose the former, and consented to drastic reductions in their wage rates. These concessions on the part of some employees did not go far toward solving the problem, for the reason that their total wages formed only a small percentage of the retail price of the product. It is estimated that the factory labour cost of producing a suit of clothes, which was about 25 per cent of the retail price of the suit in 1929, had fallen to about 15 per cent of a lower selling price by 1934. But the total labour cost of producing and selling a suit which was estimated at between 80 and 90 per cent¹ of the retail price in 1929 has remained fairly constant. This would seem to indicate that whatever reduction has taken place in the labour cost of the suit has not been borne equally by all classes of labour.

In some cases, labour refused to consent to a reduction in wage rates but accepted a reduction in hours instead. This was done with the idea of distribut-

¹ Estimate only, accurate figures not available.

ing the work among a larger number of people, while at the same time maintaining wage rates. The idea behind this arrangement was praiseworthy but it did not help to solve the problem. It reduced the weekly earnings of the individual worker but it did not reduce the cost of producing the article.

Taxes, rent, interest, depreciation and such charges remain fixed regardless of variations in output. But with a reduction in output their effect on prices increases. That is to say, in a factory producing 1,000 units, if these charges amount to \$1.00 a unit, and the production is reduced to 500 units, these fixed charges will amount to \$2.00 a unit and will increase the prices accordingly. This has been an important factor in increasing the price spread during the years of the depression when production has been low.

It is not easy to get rid of these charges. Taxes, in particular, tend to increase during hard times. The remedy seems to lie in the direction of devoting all our efforts toward increasing the total volume of business—toward increasing the total wealth production of the country, in order that the burden of these fixed charges may be spread over a larger volume of goods.

Attention should be called to the increasing part taxation plays in the cost of living. Nearly one-third of our national income goes to pay taxes. More than half of these taxes are concealed in the prices of the things we buy. The demand for more and more government service is insistent—but it all has to be paid for, and every additional expenditure on the part of the government must be followed by an increase in retail prices, by a widening of the price spread. Our people would do well to remember these things when asking for further government services.

Granting that prices had to come down and granting that the mass buyers have taken the lead in forcing them down, the question arises—have the mass buyers resorted to unfair practices in performing this service?

Numerous charges of unfair and unethical practices have been made against them in the evidence. Most of these charges are mere piffle—but as they have been given considerable publicity, it may be as well to deal with them. Without reciting all these charges in detail, one might summarize them as follows:

- (1) That the mass buyers are hard buyers and accept no responsibility for the prosperity of those from whom they buy.
- (2) That they show a callous indifference to the fate of their competitors.
- (3) That they grind down their employees by paying them low wages and working them long hours.
- (4) That they deceive the public by false and misleading advertising.
- (5) That they are such inefficient merchandizers that the only way they can continue in business is by brutally using the inducement of large cash orders to force prices down to ruinous levels.

The first two charges are probably true. The mass buyers as a class do not appear to consider whether the prices they offer are profitable to their suppliers or whether the prices at which they sell are ruinous to their competitors, but the rule seems to work both ways. No evidence was submitted that manufacturers or independent merchants were at all concerned about the fate of the mass buyers. In fact, some witnesses frankly stated that they would like to see them forced out of business.

It is ridiculous to hold the merchant responsible for the prosperity of everyone with whom he deals. If the merchants, or any other class of people in this country, are to be held responsible for the prosperity of our manufacturers and also of our competitors, the outlook for the merchant is blue and the outlook for the consumer is black. When that day comes, we can consider economic progress at an end.

In regard to the third charge, the Commission found that in some cases the large distributors were working their employees long hours and paying very

low wages. This, however, does not apply to all the department and chain stores. Some of them are model employers. The evidence did not show that, as a class, they were greater offenders than the independent merchants or any other class of employers in the country.

Very few authentic cases of false advertising came to our notice and we have no evidence that this practice is peculiar to the mass buyer.

As for the fifth charge, viz: that they are inefficient merchandisers—this Commission is not qualified to judge in that matter. The public will deal where they can get the best value. The most efficient merchant is the one who can give the best value. If the mass buyer is inefficient, the public will soon find it out and will transfer its business to the more efficient independent merchant. If there is any truth in the charge that the mass buyer makes up for his inefficiency by using the brutal power of his large cash orders to gouge his suppliers, that advantage will disappear with the return of prosperity. For, once the consuming public is able to buy all its requirements, manufacturers and suppliers will be able to sell their wares without submitting to the dictation of any one class of distributors.

It should not be forgotten that the test of efficiency in the production and distribution of goods is the price at which those goods can be placed in the hands of the consumer. Numerous efforts are being made to legislate in favour of the producer, and attempts are made to justify this kind of legislation on the grounds that we are all producers. It is true we are all producers—but we are not all producers of the particular article or articles about which we are legislating and therefore we cannot all benefit from such legislation.

The only common ground on which we all stand is as consumers. The only legislation that can be just to all is legislation in the interests of the consumer. The man or the system that best serves the human race is the one that serves the interest of the consumer. The test, then, of the efficiency of any merchandising system must be "How does it serve the consumer," and in this test the consumer, himself, will be the judge.

We have seen that the decline in business which caused so much distress among the workers, the manufacturers and the merchants, was due to the failure of retail prices to decline in keeping with the decline in the prices of primary products. We have seen that this failure was due to the fact that some classes in the community were able to maintain the prices of their goods or services in the face of the general price decline.

The question then arises—"was the advantage enjoyed by these favoured groups through their ability to maintain prices, sufficient to compensate them for the losses they sustained through the general decline in business?" It is impossible to say what the turnover of a given firm or a given industry would have been under conditions different from those that have prevailed. But this is clear—if the same relationship had prevailed between the prices of primary and of secondary products during the last five years as prevailed during the preceding five years, the physical volume of business would have been the same—the number of people employed in production and distribution would have been the same, and whatever variation there may have been in their monetary rewards, their real wages, as represented in purchasing power, would have remained the same. That is to say, neither employment nor real wages would have declined during the period. Cases can be cited where the ability to maintain prices increased the rewards of certain favoured groups; but when we contemplate the effects of this policy on the country as a whole, the results are appalling.

It remains to consider how these favoured groups were able to maintain their prices. In every case investigated, price maintenance was achieved by the elimination of competition. Witnesses appearing before the Commission were quite frank in asking that some restraint be placed on competition in order that they might be enabled to establish some sort of control over prices. It is clear

that price control is impossible under free competition. If competition can be eliminated or confined to a small group, it is comparatively easy for that group to get together and agree on a price maintenance policy. It is sometimes possible for such a group to maintain prices without any agreement, if they are protected from outside competition. In the case of Imperial Tobacco, this company is able, because of its commanding position in the market, not only to control the prices of its own products, but to insist that the prices of competing products be maintained at the same level. This is done by threatening to refuse supplies to retailers who sell any goods below the price stipulated by Imperial.

Most price control schemes have grown up under the shelter of a protective tariff, and without such protection they cannot long survive. The best corrective for the abuses of price control is to open other sources of supply.

TOBACCO

Prices realized by farmers for raw leaf tobacco were very profitable during the years 1925-1930. These prices led to a rapid increase in the acreage devoted to this crop, particularly in southwestern Ontario where flue-cured tobacco is grown. As a result there was soon more of this product grown than the Canadian market could absorb. In 1933, after all the requirements of the Canadian market had been taken care of and one company had bought 5,000,000 pounds more than it required, there still remained 10,000,000 pounds in the hands of the farmers. This condition forced prices down almost to an export basis, the average price paid the growers for the 1933 crop being only 17 cents a pound.

The Imperial Tobacco Company is the largest buyer in Canada. No other buyers will venture into the market at all until they know what price Imperial is going to pay. The system of buying followed by this company is to have its agents watch the crop carefully during the growing season and send regular reports of the probable yield and quality to the Head Office. The curing also is carefully watched and checked with the idea of knowing exactly where the highest quality product can be secured. All this information, together with reports on market and crop conditions in other countries, is carefully studied by the company in an effort to estimate what price the market will pay. When this price is decided on, if the market looks strong, the company has no hesitation in sending its buyers out to contact with growers for its supplies. On the other hand, if the market looks weak or uncertain, if there is more tobacco in sight than is likely to be required, they hesitate to start buying. They are afraid that after they have contracted for their requirements at a given figure, their competitors might come in behind them and get their supplies at lower prices.

The price at which the company decides to open the market is an average price and the local buyers will vary this upwards or downwards according to the quality of the individual lot they are buying. The company is not so much concerned about the price of an individual lot as about the average price for all purchases. Under such a system it is hardly possible to treat all growers alike. The price offered for each sample will always be determined not by its absolute but by its relative quality, as compared with other samples the buyer has seen. In consequence, if all the tobacco on a buyer's route is of high quality, it will bring only the average price; whereas the same quality of tobacco on another route where much of the crop is inferior, might bring a higher price.

This difficulty might be overcome by the establishment of standard grades and buying on grade. Witnesses expressed the opinion that this would be very difficult with a product like tobacco. We believe, however, that the matter is worth considering and would suggest that growers, buyers and government officials get together and study the possibilities of such a system.

The evidence disclosed that Imperial generally pays one cent a pound more than its competitors. The company claims that it gets a better quality of tobacco by paying this extra cent, but this is denied by other manufacturers.

During the years of the depression some of the larger growers tried exporting their tobacco to the British market and they report that the price received was decidedly less than Imperial was paying in Canada.

There is no evidence that the tobacco manufacturers were exploiting the growers. The sudden increase in acreage, due to the entry of large syndicates into the production of this crop, increased the supply far beyond the requirements of the Canadian market. This expansion went on in spite of warnings from Imperial Tobacco Company that it would result in more tobacco being produced than the market could absorb and a crash in prices would be inevitable. These large syndicates, who upset the markets by their own over-expansion, are now asking the small grower to reduce his acreage in order to help undo the mischief that they have wrought. It should be noted that the head of the largest of these syndicates, a man who was responsible for bringing 7,300 acres into production, has been given authority under the Marketing Act to require all growers, large and small, to reduce their acreage.

A scheme for the marketing of this crop has been approved and put into operation under the Natural Products Marketing Act. Under this scheme all buyers are required to pay an average of 25 cents a pound for the 1934 crop, which is considered a fair price. Buyers did not hesitate to pay this because the price of flue-cured tobacco had risen to 32 cents a pound in United States. As this price was considered excessive, British buyers turned to Canada and bought up our entire surplus, including the 10,000,000 pounds carry-over, at the price agreed on, namely, 25 cents a pound. Making due allowance for freight and other charges, this price is slightly lower than the price in Britain.

The huge profits made by the large tobacco manufacturers appear to be due to their ability to maintain retail prices at profitable levels. They can do this because of lack of effective competition in the market.

The retail dealers appear to be having a hard time to make ends meet. This is largely due to the fact that there are too many engaged in the business. The consumers cannot afford to pay them all a living wage.

The products of Imperial Tobacco Company are so many, so varied and so firmly established in the market-that no retailer can survive who does not handle them. The company fixes the price at which all its goods shall be sold. It has a preferred list of retailers who get their supplies at lower prices than others. It is charged that the company insists on the retailer pushing the sale of its goods in preference to the goods of competitors and also insists on the prices of competing goods being maintained.

If these charges are true, the remedy is quite simple.

The excise duty on cigarettes made in Canada is \$4 per thousand. Customs duty on imported cigarettes is \$11 per thousand (\$4.10 a pound plus 25 per cent). This customs duty is prohibitive; practically no cigarettes are imported. If the customs duty were lowered to the level of the excise duty, any dealer who was refused supplies by Canadian manufacturers could get his requirements from abroad, at prices that would enable him to compete in the market. This would not in any way affect the revenue of the Government as the duty collected on the imports would be the same as the excise now collected on the Canadian product. It might also reduce prices to the consumer and leave him more money to spend on other things.

MILLING AND BAKING

Canada's milling industry might well be considered as a branch of Canada's wheat growing industry. Because of the peculiar qualities of Canadian wheat, a demand has arisen in nearly every country for quantities of it to blend with other wheats. This demand is due in part, at least, to the fact that Canadian millers have pushed the sale of their flour into markets the world over, where its superior quality has appealed to the consumers and forced the millers of other countries to include a percentage of Canadian wheat in their blends. Outside of our own borders, Canadian wheat is seldom milled in its purity. In some countries there grew up a demand for pure Canadian flour. Our flour has always been the best advertisement for the sale of our wheat.

The amount of flour being imported by other countries was never considered as having much bearing on the question of the extent to which we should expand our milling industry. It was always felt that as the quality of our flour became better known throughout the world, the demand for it would increase and new markets would constantly open up to receive it.

Perhaps this is the reason why Canadian millers so confidently extended their operations during the first quarter of the present century. They figured, as our grain growers figured, on an ever-expanding world market. They never dreamed that countries once having acquired a taste for Canadian wheat and Canadian flour would deliberately close their doors against it and compel their people to eat an inferior article.

The fear of having their food supplies cut off, in the event of war, and the desire for national self-sufficiency has prompted many countries that formerly imported large quantities of our wheat and flour to shut out imports of these commodities in order to encourage their own farmers to grow wheat.

Our best market has always been the British market, and there Canadian wheat and flour was always in demand. That market has never been closed to us. But the closing of other markets, notably Italy, France and Germany, caused a keener competition in the British market. For some years past, Canada has adopted the policy of refusing to sell her wheat at the prevailing world price. Normally, our wheat will sell for about 10 cents a bushel above Argentine wheat in Liverpool. During recent months we have been holding it as much as 30 cents above Argentine. As a result of this holding policy the English miller is using as little of our wheat as possible in his blends. Gradually he has reduced the percentage of Canadian wheat to about 8 per cent of the total or approximately one-fifth of what it formerly was.

The policy of holding our wheat above world prices compels our millers to pay more than their English competitors for their raw material. As a result, we are unable to sell our flour on the open market. Annual exports of Canadian flour have declined over 5,000,000 barrels since 1928 and the Canadian milling industry is suffering in consequence.

The more flour that is ground for export, the more bran and shorts we have for home consumption. The tremendous decline in our exports of flour has resulted in a shortage of these feeds and a consequent increase in the prices they command in the market.

Competition between Canadian millers in the domestic market is very keen. The loss of the export market has intensified this competition and has prevented any exploitation of the consumer. The industry has maintained wages, but has been compelled to reduce the number of its employees.

There appears to be a strong temptation for milling companies to speculate in wheat. The evidence does not disclose that they are any more successful at this game than the man on the street. Some of them have lost tremendous sums in the market. Heavy losses have also been incurred from over-expansion of the industry. These losses have not been taken out of the farmer nor have

they been passed on to the consumer. Competition both in buying wheat and selling flour has seen to that. They have either been taken out of reserves or are being carried by the creditors of the companies involved.

The hope of the industry lies in recovering the export business. Failing that, it would appear that some mills will have to close down permanently.

Failure of the export market has intensified competition in the domestic market. This competition has prevented the millers from passing their losses on to the consumer and it is in the public interest that it be maintained. One of the larger milling companies has not over-expanded to the same extent as the others and by its competition is preventing a rise in the price of flour. Any plan for rationalization of the industry would probably restrain the competitive activities of this company and might result in making the consuming public pay for the mistakes of the industry.

AGRICULTURAL IMPLEMENTS

In the time at its disposal the Commission was not able to make any effective comparison between the prices of farm implements in Canada and in the United States. The systems of distribution in the two countries are so different that comparisons of catalogue prices are of little value. It was possible, however, to compare Canadian prices in pre-war and in post-war years.

A study of the accompanying table, taken from the majority report, shows that from 1913 to 1934 the average price of a list of nine implements rose from \$86.39 to \$130, an increase of about 50 per cent.

	International Harvester Co. of Canada Aver. of 6 implements		Massey-Harris Co., Ltd. Aver. of 9 implements	
	1913	1933	1913	1934
Cash price to consumer (Regina).....	\$83.04	\$127.24	\$86.39	\$130.00
Agents' commission.....	15.84	23.16	9.94	20.92
Freight.....	8.98	13.63	12.43	16.58
Material.....	22.41	39.78	25.54	42.08
Productive labour.....	5.58	11.46	4.97	6.33
Other factory expense.....	6.42	38.84	7.63x	26.42x
Gross profit before selling expenses, etc.....	23.81	.37	25.88	17.67

x Includes figures for factory overhead and administrative expense.

This increase is accounted for as follows:—

	1913	1934	Increase
Agents' Commission.....	\$ 9.94	\$20.92	\$10.98
Freight.....	12.43	16.58	4.15
Material.....	25.54	42.08	16.54
Factory labour.....	4.97	6.38	1.36
Other factory expense.....	7.63	26.42	18.79
Total increase.....			\$51.82

Of this increased cost, \$43.61 is added to the price of the implement and the balance \$8.21 is taken out of the gross profit of the manufacturer.

The majority report states that a portion of this increase in prices is no doubt due to technical improvements, but the table would seem to indicate that it must be a very small portion.

Management, pensions, selling cost, collection expenses, bad debts, depreciation, experiments, and other general expenses on this list of implements would amount to approximately \$50. This has to be paid out of the \$17.67 gross profit of the manufacturers. Clearly they are not making any money. They are taking heavy losses.

The largest increase shown in the table is in the item labelled "Other factory expense." This increase is probably due to the fact that the factories are working to only about one-sixth of their capacity and it would be remedied by a revival in business.

The next largest increase is in the cost of material which is nearly 65 per cent higher than it was in 1913. A reduction in the duty on iron and steel might help to reduce this item.

Selling costs average about 20 per cent of the retail price of implements. This is the selling cost to the company and does not include anything for the local agent. It does include the cost of maintaining branches and warehouses in different parts of the country where supplies are carried in stock. These branches and warehouses are necessary if the farmer is to have reasonable service. But it costs money to operate them and with the small amount of business being done, the cost per implement comes high. An increased volume of business would reduce this item considerably.

Credit is a very large item in the cost of implements to the farmer. A higher price is charged for implements sold on time. This additional price known as a carrying charge varies from 6 per cent to 17 per cent of the amount of credit extended. In addition to that there is the interest on the farmer's note, generally about 7 per cent. Though an exact average cannot be struck, one could safely say that the farmer who buys an implement on time pays about 15 per cent for the credit he receives.

The manufacturers also find the credit business expensive. Ten per cent of their credit sales is lost through bad debts and another 10 per cent is eaten up in collection expenses. All these things have to be paid for and it is the farmer who does the paying.

The implement manufacturers made a mistake many years ago when they joined the Canadian Manufacturers' Association in support of a fiscal policy calculated to exploit the only customers they had. Now that the exploitation is complete they find themselves without customers. Had they joined the farmers' associations in their fight against tariffs they might have created a saner sentiment in regard to these matters throughout the country and perhaps have saved us from some of the extreme tariff rates we now endure, and which have been the major factor in rendering the farmer unable to buy the implements he needs.

LIVE STOCK

The live stock problem of Canada is a problem of markets. We produce annually 300,000 more cattle and 1,000,000 more hogs than we consume.

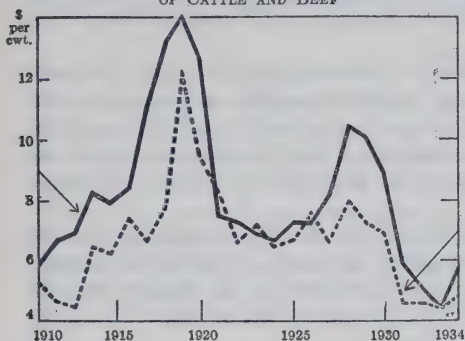
When we have an export outlet for these surplus animals, prices go up. When we have no export outlet, this surplus is thrown on to the domestic market and prices go down. A glance at the accompanying chart, published by the Canadian Bank of Commerce, will show how closely the rise and fall in prices of domestic cattle follows the rise and fall in the number of animals exported.

For many years we exported to the United States about 250,000 head of cattle annually. With the passing of the Hawley-Smooth tariff, this outlet was closed and the cattle were thrown back on our own market. Prices fell immediately and have been low ever since. Unless we can find another export market for these surplus animals prices in Canada will remain at unprofitable levels until production has adjusted itself to the requirements of the domestic market. Some 93,000 head were exported in 1934, mostly to the British market. But this is not a very profitable market owing to its distance. It is also an uncertain market, as it is the policy of the British Government to reduce rather than increase importations. The recent advance in cattle prices is due entirely to the fact

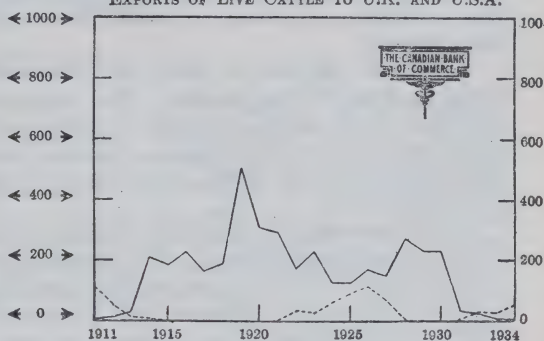
that prices in United States have gone so high that Canadian cattle are able to enter the American market over the tariff wall.

The price of hogs began to rise in the early part of 1933. This was due to a rise in the price of hogs in Great Britain. If that market were to be closed to us, prices would fall immediately.

CORRELATION OF DOMESTIC PRICES AND EXPORTS
OF CATTLE AND BEEF



EXPORTS OF LIVE CATTLE TO U.K. AND U.S.A.



The scale on the left applies only to the heavy solid line, which represents the yearly average price of steers at Toronto; the broken heavy line represents the number of both live and dressed cattle exported. The chart on the right shows exports of live cattle to the United Kingdom (broken line), and the United States (solid line). Both charts omit cattle shipped "for the improvement of stock."

It is futile to blame the packers for the low prices of live stock. Though one large company handles 59 per cent and another one 26 per cent of the packing house business, there was no evidence of monopoly in the industry. It is true Canada Packers made money during the depression. It is not true that they made it by depressing the price of live stock. The evidence clearly shows that as prices declined, their profits declined and as prices increased, their profits increased. They made their money on a rising market.

In the year ending March, 1934, their profits amounted to \$1,429,670. This was their most profitable year since 1930. These profits were due to the continued rise in the price of hogs throughout the year. A profit of \$1,429,670 is a lot of money but it amounts to only $\frac{1}{4}$ of a cent a pound on the total sales of the company. Assuming that they sold as many pounds as they bought (which is doubtful) it would mean that if their entire profit had been turned over to the farmer, it would have increased the price he received for his stock by only $\frac{1}{4}$ of a cent per pound. Other packers did not fare so well as this company. Some of them lost money.

It is clear that we cannot get the farmer a better price by taking it out of the packers. It is only throwing dust in his eyes to tell him we can; and we cannot help the farmer by throwing dust in his eyes.

The report recommends the establishment of a "Live Stock Board to have administrative jurisdiction in matters connected with all phases of stock-marketing."

I am opposed to this recommendation for two reasons: first, because the proposed Commission would be another burden on the taxpayer and, second, because it could do nothing toward solving the real problem, which is the problem of markets. There is already plenty of staff in the Department of Agriculture to do all that the government should do, or can do, in the way of disseminating information and helping producers to improve the quality of their stock and to meet market requirements.

The establishment of a board with a policing function to be carried out by a staff of inspectors would, in my opinion, be neither helpful nor welcome. The activities of such a board are apt to become both meddlesome and mischievous.

I am in agreement with the Commission's recommendation that diseased cattle be kept off the market. But when they would place the same ban on old and thin stock, they are going entirely too far. Such action would be a grave injustice, both to the farmers, who find themselves with this kind of stock on their hands, and to large numbers of consumers who cannot afford the more expensive meats.

The proposal to prohibit truckers from selling stock themselves cannot be too strongly condemned. If a farmer who sends his stock to market in charge of a trucker wishes to instruct that trucker to sell wherever he can do best, it is the farmer's own business, and he should not be compelled to turn his stock over to a commission man unless he wishes to do so.

The idea behind this proposal is to stop truckers from selling stock at the packing plants and to force them to deliver it to the yards where the stockyard operators and the commission men can get a chance to levy toll on it. In my opinion, this would be a mistake and would work an injustice to the producers.

Putting stock through the yards is expensive and wasteful. Feed in these places is expensive. There is considerable loss through shrinkage. In most cases the animals have to be loaded again to get them to the packing plants, which entails the risk of additional loss through bruising. All this waste and expense comes out of the prices paid to the farmer. It ought to be possible to eliminate this expense, while at the same time preserving competition between buyers. Certainly, the farmer or the trucker who wishes to avoid it by selling direct to the packer should not be prevented from doing so. We have no evidence that the commission man is any better salesman than the trucker.

The suggestion that supplies be stabilized and that a balance be maintained between production and demand should be viewed with suspicion. The best balance will be maintained by the free play of Nature's law of supply and demand. In matters of this kind, "artifice and legislation punish themselves by reactions, gluts and bankruptcies."

Since the whole live stock problem is a problem of markets, and since our natural and most profitable market is in the United States, every effort should be made to have the American tariff against our live stock removed. This may not be an easy task. It certainly cannot be done unless we are willing to admit some American products into our markets. If we can secure access to the American market for our live stock by admitting a worth while list of American manufactured goods into our market, it ought to be done. If we refuse to do so, we will be deliberately sacrificing the live stock industry for the benefit of some secondary industry.

There still remains the question of what to do if it is found impossible to market our surplus abroad. In such an event, production would have to be reduced to the requirements of the domestic market. More employment in Canada would increase the demand for meat somewhat, but not enough to use up the surplus and it would be necessary to raise fewer cattle. It has been suggested that this can be done by regulating production through the instrument of a live stock board. Cattle should be raised where they can be raised most

economically. It would be impossible for a regulating board to license producers on that basis. Such a board would be expected to treat everybody alike, assigning quotas to producers on some basis that would be considered equitable and not on the basis of most economic production. As a result, the marginal producer would be kept in a business of which he could not make a success and the efficient producer would find his hands tied and his activities restricted.

On the other hand, if economic forces are allowed free play, the marginal producer will be the first to go and the field will be left to the more efficient. In this way the industry would be put on a sounder and more economic basis than would be possible under a regulating board.

TEXTILES

The textile industry is the favourite child of the tariff. Always highly protected—it was the first to receive additional consideration when the depression descended upon us. Excessive duties were imposed on textiles entering the country in order to assure the Canadian market to the Canadian manufacturer. When the government took this action to assist the industry, it believed that the Canadian manufacturers could and would supply the market. The industry has not done so. Imports of cotton fabrics were reduced by 50,000,000 yards—but the Canadian manufacturers did not supply the deficiency. They reduced their own production by approximately 20 per cent. Perhaps they had to do so. Perhaps they could not produce the goods at the price our people could pay—but other countries could, and had it not been for the tariff, would have sold us textile fabrics at prices more within our reach than the prices asked by Canadian manufacturers.

Imports of woollen fabrics declined by 10,600,000 yards but only 8,000,000 yards of this was replaced by the product of Canadian mills. "The increased demand for cheaper lines" referred to in the Commission's report is only another way of saying that the people of Canada are not wearing as good clothes as they formerly did.

When an industry seeks and obtains from the government an advantage over outside competition in the domestic market, it is under a moral obligation to see that this market is supplied and that the people do not suffer either in the quality, the quantity or the price of the goods in question. The textile industry has not recognized this responsibility and the people of Canada have suffered in consequence.

During the year 1933 the industry as a whole employed 47,567 people at an average wage of \$13.23 per week. The total wage bill is equal to 24.21 per cent of the selling price of the products. Though the average weekly wage in the industry is \$13.23, the majority of those employed received less than that.

The total duty collected on imported textiles in the year ending March 31st, 1934, from British countries was 29.09 per cent and from foreign countries 44.25 per cent of the value of the goods. The protection afforded this industry is greater than the amount it pays in wages.

The Tariff Board has reported that the present tariff rates on textiles are necessary if we wish to equalize production costs between Canada and other countries.

This raises the question of whether this industry is not costing us too much. If the people of Canada are required to pay \$1.44 for a dollar's worth of goods in order that Canadian workers may receive about 35c. (24.21% of \$1.44) in wages, it would seem to be a losing venture and we might be better off if we were to pay these people to do nothing, and import all our textiles.

This is one of a number of industries in Canada that do not appear to be standing on their own feet. Such industries are not a source of wealth to the country. Their existence retards the general prosperity, and in the long run

they must suffer with the rest. It is possible for some of the people to ride on the backs of the others. It is not possible for all the people to do so. The doubtful comfort of riding on someone else's back is poor compensation for the lack of progress due to that method of travelling.

FISHERIES

The problem of the fisherman, like the live stock problem, is a problem of markets. The American government denies him the right to sell his fish in the American market. The Canadian government denies him the right to buy his supplies in the same market. The first prohibition costs him varying amounts in the price he receives for his fish. The second costs him about \$100 a year extra for his equipment. (Page 111, Commission evidence.)

More fish are produced than the Canadian market can absorb. It is charged that there is not sufficient competition among the buyers. Competition among buyers is never keen when the supply exceeds the demand.

At present prices the Atlantic Coast fisherman receives for his work about \$300 a year. In some districts he earns as low as \$75 to \$100 a year. The large companies who buy and distribute the fish are blamed for these meagre rewards. The evidence did not disclose that these distributors were making any money. It has been suggested that they may be inefficient. If there is any inefficiency the Commission failed to locate it.

Fish is such a perishable product that it requires considerable skill to distribute it to the various markets while it is still in prime condition. If, from some high altitude, one could take a bird's eye view of the whole process of marketing, one would probably be amazed at the efficiency of a system that from day to day and from hour to hour can find markets all over the continent for fish as fast as they are landed and can despatch to each and every market sufficient for its requirements with as little loss through spoilage as occurs.

To an outsider the trouble with the industry appears to be that the fisherman in his small boat cannot catch enough fish to give him a decent living at present prices. The evidence disclosed that while the hook and line fisherman can earn only \$300 a year, the fisherman engaged on the steam trawler earns about \$1,000 a year.

The objection to the trawler is that it throws men out of employment—that 20 men on a trawler will catch as many fish as 100 men in small boats. That is true—but the same objection could have been taken to the small boat when it was first invented. Two men in a small boat would have caught more fish than ten men standing on the shore. But the small boat justified its existence and no one would suggest that we should go back to the days when men did their fishing from the shore.

It is true that trawler fishing does not require as many men as small boat fishing—but it provides steadier work and it pays much higher wages to those employed. It should not be discouraged. The fishermen displaced by it should be assisted to find employment in some other line.

The fishermen in the eastern part of Nova Scotia seem to be the greatest sufferers from adverse conditions. They are isolated from the rest of the world. Their harbours are ice bound for five months of the year. There are places on that rugged coast where they have no soil on which to grow anything. In some parts they have not even timber for fuel. The best thing to do with them would be to help them to move to some more-favoured location. It is no kindness to encourage them to stay in a place where they can never hope for anything but the direst poverty.

The most helpful thing that could be done for the Canadian fisherman would be to let him sell his fish in the American market. The next best thing

would be to let him buy his supplies and equipment in the same market. This industry, like the live stock industry, should not be sacrificed on the altar of protection.

It has been suggested that something might be done under the Natural Products Marketing Act to improve the lot of the fisherman. Similar suggestions have been made in regard to live stock, and a number of other commodities. All these schemes contemplate raising prices to the producer by equating the supply to the demand—that is by limiting production to what the market will readily absorb.

Assuming that all these schemes are adopted and put into successful operation; that is to say, assuming that it is found possible to determine the exact degree of scarcity necessary to raise the price of each commodity to the desired level, and assuming that it has been found possible to create that exact degree of scarcity—neither more nor less—and in this we are assuming much, what position will we then find ourselves in?

We will have created an artificial scarcity of all natural products and the manufacturers thereof. We will have created famine or near famine conditions in most of the necessities of life. Possibly the fisherman will get more money for his fish—but he will have to pay more for his flour. It will take as many pounds of fish to buy a barrel of flour as ever it did—but because of the restrictions of production he will not have as many fish to buy it with. The same thing will be true of nearly everything he buys. He will have less of everything because he will have less to buy with and his last condition will be worse than the first.

When one contemplates the havoc that would be wrought by the successful operation of these schemes, one feels thankful that they cannot be made to work.

LABOUR AND WAGES

In considering the question of wages in Canada, there are a few things that should not be forgotten.

Canada is not a self-contained country. We use a great many things in our everyday life that we cannot produce within our own borders.

If we would maintain our present standard of living, we must bring these things in from abroad.

The only way we can pay for these imports is by exporting commodities of which we have a surplus.

In order to dispose of our exports, we must sell them at prices the people of other countries can pay.

To do this, it is necessary to keep our production costs down to a point that will enable us to compete in the markets of the world, with other countries producing similar products.

If we increase our production costs, we will make it more difficult for those engaged in our export industries.

If these costs exceed the price we can get for our exports, those engaged in the export industries will find their incomes cut off.

One-fifth of our wealth production is exported. One-fifth of our people are directly dependent on the export market for their earnings. Wages in the export industries must be determined by export prices.

Four-fifths of our wealth production is consumed at home. Four-fifths of our people are dependent on the domestic market. If the one-fifth who depend on the export market lose their purchasing power, they cease to buy from the other four-fifths. The result is a reduced domestic market and unemployment among those who supply that market. These unemployed, themselves, cease to buy and the market is still further restricted, with the result that still more men are thrown out of work. Thus unemployment becomes wide-spread and unemployment is the cause of low wages.

When the demand for goods is heavy, it requires more men to supply them. When jobs are plentiful, wages rise. No man is going to work for low wages if he can better himself.

No power on earth can maintain wages when there are not enough jobs to go round. No power on earth can depress wages when there are not enough men for the jobs. In the language of Wilkins Micawber the matter might be stated thus:—

Jobs.. . . .	4
Applicants.. . . .	5
<hr/>	
Result.. . . .	Low wages
Jobs.. . . .	5
Applicants.. . . .	4
<hr/>	
Result.. . . .	High wages

The corrective for low wages is to increase the demand for goods and services. Artificial attempts to increase wages can have only one effect, that is to increase the price of goods. This results in fewer goods being bought, which in its turn leads to more unemployment and therefore to lower wages.

The only effective way to raise wages in Canada to-day is to restore the purchasing power of those who depend on the export market and put them in a position to buy the products of the others. This can be done only by restoring a parity between export and domestic prices.

But so long as tariffs, quotas, regulations, agreements, etc., whether imposed by governments or by other bodies, are permitted to artificially maintain domestic prices above export prices, there can be no hope of satisfactory wage conditions or employment conditions in Canada.

The right of the worker to sell his labour to the highest bidder should not be interfered with.

Conditions arise where unscrupulous employers take advantage of the inability of their workers to find other employment and force them to accept wages on which it is impossible to live.

Minimum wage laws are intended to protect the helpless worker from the unscrupulous employer. Their purpose is not to fix a standard wage—but to see that no worker gets less than a living wage. The minimum set is determined by the cost of living. As living costs vary in different provinces of the Dominion, different minima have been set.

It has been suggested that we should have a uniform minimum wage throughout the Dominion. In my opinion, this would be unfair as it would make real wages much higher in provinces where living is cheap than where it is dear.

The avowed purpose of those who advocate a uniform, nation-wide minimum wage, is to equalize production costs throughout the Dominion. In my opinion, minimum wage laws were never intended as a means of equalizing production costs in different parts of the country and could not be justified on such grounds. To use these laws for such a purpose would be a gross discrimination against certain districts. The Commission discovered cases where whole communities were out of employment. Some geographical or other natural handicap made it impossible for their industries to carry on in competition with more favoured districts. The only way they could overcome that handicap was by putting more of their own effort into their product, that is by taking lower

wags. Uniform minimum wage laws applied to all industries would mean that some of these less favoured communities would be denied the right to engage in any industry at all.

Since the cost of living and local conditions are the governing factors in determining minimum wage rates, and since these factors vary in different parts of the Dominion, it would appear that the provincial governments are the proper authorities to deal with these matters. It would also seem that the provinces are in a better position to enforce minimum wage laws than is the Dominion.

I can see no good purpose in amending the B.N.A. Act so as to give the Dominion jurisdiction in these matters.

In its concluding chapter the report recommends the appointment of a Federal Trade and Industry Commission with wide powers to control and regulate business and industry.

The powers and duties of this Commission are outlined in Chapter IX of the report.

Some of the things there suggested should be done and some of them should not be done.

There is plenty of machinery already in existence to do all that should be done and there is no need of setting up any more.

(1) The Combines Act is being administered by an efficient staff. Some slight amendments to the Act and a simplifying of the procedure and a sympathetic attitude on the part of the government is all that is required to make it effective.

The regulation of monopoly pre-supposes the sanctioning of it. The two principle objections to monopoly are, first, that it oppresses the consumer, and, second, that it becomes extravagant, unprogressive and inefficient. All the proposed Commission could do with monopoly would be to regulate its dealings with the public. It could not provide for efficiency and progressive management. The only effective way to deal with monopolistic organizations is to expose them to merciless competition, which will force them to efficiency or to bankruptcy. There are very few international monopolies and those that exist are likely to be short-lived. Monopolies grow up under the shelter of a protective tariff and cannot survive without such shelter. The remedy is to remove the tariff. Any government commission would be a long time in suggesting such a remedy.

For the protection of the consumer the majority report recommends that the proposed Commission be empowered to deal with such matters as short weights, false advertising, trade mark imitation, suppression of patents, misrepresentation of goods, etc. Already we have laws against these things. If such laws are not effective they ought to be made so. Sufficient machinery exists in the Departments of Trade and Commerce, Agriculture and Labour, and in the police courts, to enforce the law. If that machinery does not operate, steps should be taken to see that it does. I see no necessity for setting up new machinery for the purpose.

There is something to be said in favour of consumer standards; but there is grave danger that such standards might be so arranged as to play into the hands of monopoly or big business. It might easily happen that designing persons would succeed in having standards set and rules and regulations established that would work injustice to their competitors and even have the effect of eliminating effective competition from the market.

Corporations wishing to sell their securities in Canada must apply to the Secretary of State or to one of the Provincial Governments for a charter. There

is no reason why the authorities issuing these charters should not examine closely into the financial structure of such corporations and do everything the proposed Securities Investment Board could do to protect the investing public from the machinations of dishonest promoters.

The suggestion that the proposed Commission might advise the Governor-in-Council to grant powers of self-government in industry simply means that power be given to set aside the Combines Act and allow certain groups to form themselves into combines and monopolies.

Any proposal to empower a commission to modify "cut-throat competition" and thereafter regulate industries that indulge in it, should be condemned. Who will define "cut-throat competition"? Any competition that a man cannot meet is "cut-throat" to him. The only way to prevent such competition is to resort to price-fixing, and price-fixing means a further sacrifice of the general interest to the interest of a particular group.

The idea of setting up a commission with power not only to prohibit unfair competitive practices but also to define what is fair and what is unfair is repugnant to our sense of freedom and justice. The majority report clearly indicates that the Commission have in mind making it a crime to give discriminatory discounts, rebates or allowances, or to sell cheaper in some districts than in others or to indulge in predatory price cutting—whatever that is.

However much these things might inconvenience competitors I cannot regard them as crimes. Where a system of price maintenance prevails, they may be the first indication of a break in the line and the lower prices they give to some people to-day might be the forerunner of lower prices to everybody to-morrow.

The following extract from a letter written by a retail merchant in British Columbia to the Premier of that province, and widely published, sets forth the case very clearly:—

While we are now members of the Retail Merchants Association, we are not at all in sympathy with, nor do we believe any form of Government interference, is the solution to our difficulties. We recognize the problem about which the Retail Merchants are complaining. Undoubtedly it is a serious one, but we cannot endorse the remedy proposed because we do not think it is based on an intelligent understanding of the cause of our trouble. We further believe that any form of Government interference or restriction would merely have the effect of alienating the sympathy of the consumer, whose burden is already heavy enough and who might very properly resent what certainly could be interpreted as an attempt at trade restriction within the borders of Canada.

The proposed Commission would, if set up, add considerably to the cost of government and would be another burden on the taxpayers. It would soon develop into a nation-wide organization, with officials and inspectors all over the Dominion. Its activities would be meddlesome and mischievous. Its authority could be used to promote combines and monopolies. Its tendency would be more and more to regulate and restrict business, to discourage enterprise and initiative and to sacrifice the consumer's interests to the interest of the particular classes with which it would be in constant touch.

When one considers that one-third of our total national income is collected in taxes by the various taxing bodies, and when one considers how little we get for that third as compared with what we get for the other two-thirds, one is forced to the conclusion that there is more extravagance and inefficiency in government than there is in business. Under the circumstances it would be the height of impertinence for governments to assume that efficiency could be promoted or waste eliminated by letting them regulate business.

We have studied the problem of the small merchant and the large merchant, of the manufacturer and the wage-earner, of the stock raiser and the fisherman, of the export industries and the domestic industries, and we have found that the same problem is common to them all. It is the problem of finding buyers for their wares. Buyers cannot be found because the disparity between prices of primary and of secondary products makes it impossible for primary producers to purchase the goods or the services of other classes. The remedy lies in restoring that parity.

The great defect in the majority report is, that it seeks to do this by artificially raising the prices of primary products above world levels, on the domestic market, and dumping our surplus abroad. If we should succeed in doing this it would only mean that we would be taxing our own people and bonusing our foreign competitors in their efforts to undersell us in the markets of the world. At best, this policy could benefit only a few classes in the community and that by adding to the burden of others who are already bearing more than their share of the load. The only interest that is not a class interest is the consumer interest. The only legislation that is not class legislation is legislation in the interests of the consumer. In seeking the remedy for our economic ills, we should always keep the consumer's interest uppermost in our minds for "the consumer's interest is the interest of the human race."

(Signed)

E. J. YOUNG.

ANNEX I

LIST OF WITNESSES AND COUNSEL

ADAMSON, GEORGE A.....	Auditor, Clarkson, Gordon, Dilworth, Guilfoyle and Nash, Toronto, Ont.
ARSENAULT, NAPOLEON.....	Representing the fishermen of Mount Carmel, P.E.I.
ATKINSON, STANLEY.....	Ex-Manager, Dominion Stores, Limited, Toronto, Ont.
AYLEN, ALDOUS.....	Counsel, Stop & Shop Ltd., Toronto, Ont.
BADDEN, H. J.....	Secretary, Rubber Footwear Association, Toronto, Ont.
BAILEY, LEWIS V.....	Representing the fishermen of Digby County, N.S.
BAILEY, R. H. M.....	President, Alberta Milk and Cream Producers Association, Edmonton, Alta.
BAINARD, R. H.....	Comptroller, National Grocers Co. Ltd., Toronto, Ont.
BALLANTYNE, C. T.....	Counsel, Dominion Textile Co. Ltd., Montreal, Que.
BANNINGA, P. P.....	Merchandising Manager, Metropolitan Stores, Ltd., London, Ont.
BARNES, DR. ROBERT.....	Chief, Meat and Canned Foods Division, Department of Agriculture, Ottawa, Ont.
BARR, G. H., K.C.....	Solicitor for Saskatchewan Co-operative Live Stock Association.
BEEBE, L. W.....	Manager, Montreal Division, Great Atlantic & Pacific Tea Co. Ltd., Montreal, Que.
BERGES, E. A.....	Representing Berges & Shelley, Kitchener, Ont.
BERKSTRESSER, HAROLD.....	General Manager, Great Atlantic and Pacific Tea Co. Ltd., Toronto, Ont.
BETHEL, FRANK.....	Superintendent of Factories, T. Eaton Co. Ltd., Toronto, Ont.
BIGGER, H. J.....	General Manager, American Can Company (Canadian District) Hamilton, Ont.
BLAIS, PHILIPPE.....	Manager, Yamaska Valley Tobacco Growers' Co-operative, St. Césaire, Que.
BRAGG, NELSON.....	Ex-Manager, Dominion Stores, Ltd., Toronto, Ont.
BREDIN, MARK.....	President, Canadian Bakers Association, Toronto, Ont.
BRITTAİN, ALFRED H.....	President, Maritime National Fish Corporation Limited, Halifax, N.S.
BROADFOOT, S. R.....	Counsel, Dominion Stores, Limited, Toronto, Ont.
BUCKLE, HON. WALTER C.....	Minister of Agriculture, Province of Saskatchewan.
BUELL, HENRY P.....	Vice-President, The Imperial Tobacco Company of Canada, Ltd., Montreal, Que.
BULLEN, J. M.....	Counsel, International Ladies' Garment Workers, Toronto, Ont.
BYERS, JACK.....	Manager, Western Stock Growers' Association, Calgary, Alta.
CAHAN, HON. C. H.....	Secretary of State, Ottawa, Ont.
CARLISLE, C. H.....	President, Goodyear Tire and Rubber Company, Toronto, Ont.
CARTER, J. C.....	Counsel, T. Eaton Co. Ltd., Toronto, Ont.
CASSIDY, H. M.....	Assistant Professor of Social Science, University of Toronto, Toronto, Ont.
CHAMBERS, MISS JEAN.....	Ex-employee, T. Eaton Co. Ltd., Toronto, Ont.
CHAPMAN, T. ROSS.....	Member, Toronto Live Stock Exchange, Toronto, Ont.
CHARTRAND, VICTOR.....	Vice-President, Forest Ltd., L'Epiphanie, Que.

CHEVRIE, PIUS.....	Representing the fishermen of Souris and the Eastern coast of Prince Edward Island.
CHIPMAN, MRS. J. R. H.....	Witness for Chain Stores, Toronto, Ont.
CLARK, JAMES E.....	Chemical Engineer, Canadian Inspection and Testing Co. Ltd., Toronto, Ont.
CLARK, ROBERT W.....	Auditor, Fred Page Higgins & Co., Toronto, Ont.
COADY, DR. M. M.....	Director of Extension Service of St. Francis Xavier University, Antigonish, N.S.
COATS, DR. R. H.....	Dominion Statistician, Ottawa, Ont.
CONNOR, HAROLD G.....	Manager, Maritime National Fish Corporation, Limited, Halifax, N.S.
COOK, WARREN K.....	President, Canadian Association of Garment Manufacturers, Toronto, Ont.
COOTES, H. M.....	Auditor, Fred Page Higgins & Co., Toronto, Ont.
COUTURE, ERNEST.....	Representing fishermen of Grande River, Gaspé County, Que.
COWIE, J. J.....	Director of Fisheries, Department of Fisheries, Ottawa, Ont.
CRAIG, J. A., M.L.A.....	Member of Committee on Agriculture and Colonization, Province of Ontario.
CRAISE, H. L.....	Representing the Ontario Growers' Market Council, St. Catharines, Ont.
CROSBIE, WM. A.....	Auditor and Investigator, Ottawa, Ont.
CROUCHER, PERCY.....	Secretary-Treasurer, Canadian Canners Limited, Hamilton, Ont.
CROWDER, JOSEPH T.....	Merchandising Counsel, Toronto, Ont.
CUDDY, SUTHERLAND.....	Inspector of Weights and Measures, Department of Trade and Commerce, Ottawa, Ont.
DABOLL, H. B.....	Representing J. A. Daboll and Son, Fonthill, Ont.
DANKERT, MISS LYDIA.....	Employee, T. Eaton Co. Ltd., Toronto, Ont.
DEMPSTER, JAMES.....	Independent Baker, Toronto, Ont.
DESAUTELS, JOSEPH.....	Secretary-Treasurer, Fashion Craft Ltd., and Victoria Clothing Company, Montreal, Que.
DION, CAMILLE.....	Inspector of Weights and Measures, Department of Trade and Commerce, Ottawa, Ont.
DOBELL, S. H.....	Auditor, Clarkson, Gordon, Dilworth, Guilfoyle and Nash, Ottawa, Ont.
DONENCOURT, MISS JEANETTE.....	Ex-employee, Fashion Craft Ltd., Victoriaville, Que.
DONOVAN, M. G.....	Member of Montreal Live Stock Exchange, Montreal, Que.
DOYLE, J. CUTHBERTSON.....	Secretary, Nova Scotia Board, Retail Merchants Association of Canada.
DOYLE, J. P.....	Clerk of Petitions, House of Commons, Ottawa, Ont.
DRIVER, HERBERT WM.....	Auditor, Fred Page Higgins & Co., Toronto, Ont.
DRYNAN, WM. R.....	General Manager, Canadian Canners Limited, Hamilton, Ont.
DUQUETTE, A.....	Business Agent, Amalgamated Clothing Workers Union, Montreal, Que.
EDEN, W. A.....	President, Dominion Rubber Co. Ltd., Montreal, Que.
ELLIS, ARTHUR, K.C.....	Counsel Dominion Stores Limited, Toronto, Ont.
FALCONER, C. C.....	Representative of Retail Merchants of Manitoba.
FESSENDEN, C. V.....	Investigator, Montreal, Que.
FORD, IRVING.....	Employee, T. Eaton Co. Ltd., Toronto, Ont.
FOREST, ERNEST.....	Notary, L'Epiphanie, Que.
FORTIER, H. C.....	Tobacco Distributor, Montreal, Que.
FORTINGTON, A. E.....	Markets Intelligence Branch, Department of Trade and Commerce, Ottawa, Ont.

FOSTER, ARCHIE	President, National Grocers Co. Ltd., Toronto, Ont.
FRALEIGH, HOWARD, M.L.A.....	Member of Committee on Agriculture and Colonization, Province of Ontario.
FRANCQ, GUSTAVE.....	Chairman, Women's Minimum Wage Commission, Province of Quebec.
FRASER, LEONARD W.....	Investigator, Halifax, N.S.
FRAWLEY, J. J., K.C.....	Solicitor to Attorney-General of Alberta, Attorney-General's Department, Province of Alberta.
FREEMAN, H. A.....	Tobacco Grower, Simcoe, Ont.
FREER, OSWALD.....	Representative of United Stockmen Limited, Winnipeg, Man.
FRENETTE, CHARLES.....	Tobacco dealer, St. Charles de Bellechasse, Que.
FRIEDMAN, J.....	Factory Manager, Rubin Brothers, Victoria-ville, Que.
GIBSON, GEORGE A. J.....	Auditor, Fred Page Higgins & Co., Toronto, Ont.
GILMOUR, DAVID.....	Grower, Wainfleet Township, Ont.
GLASSCO, J. G.....	Auditor, Clarkson, Gordon, Dilworth, Guilfoyle and Nash, Toronto, Ont.
GOOD, W. C.....	President, Co-operative Union of Canada, Brantford, Ont.
GORDON, W. L.....	Auditor, Clarkson, Gordon, Dilworth, Guilfoyle and Nash, Toronto, Ont.
GOULD, R. W.....	Secretary, Canadian Fisheries Association, Montreal, Que.
GRASSBY, A. E.....	Member of Manitoba Branch, Retail Merchants Association of Canada.
GREGORY, FRANCIS.....	Ex-employee, Imperial Tobacco Company of Canada, Ltd.
GRODINSKY, GORDON.....	Ex-employee, Thrift Stores Ltd., Montreal, Que.
GROSE, EARLE M.....	Independent dealer in fertilizer, Toronto, Ont.
GROSSMAN, MRS. GERALD.....	Witness for Chain Stores, Ottawa, Ont.
GRUBB, REGINALD.....	General Manager, Canadian Industries Limited, Montreal, Que.
GUAY, MARCEL.....	Auditor, Fred Page Higgins & Co., Toronto, Ont.
HACHE, ADOLPHE.....	Representing the fishermen of Gloucester County and Shippigan and Caraquet Islands, N.B.
HALLAM, DOUGLAS.....	Secretary, Silk Association of Canada.
HAMBLY, C. W., M.L.A.....	Drover, Napanee, Ont.
HAMEL, MISS ELEANORE.....	Ex-employee, Rubin Brothers Limited, Victoriaville, Que.
HAMEL, MISS NOLEA.....	Ex-employee, Rubin Brothers Limited, Victoriaville, Que.
HAMON, WENCESLAUS.....	Representing the fishermen of Malbaie, Gaspé, Que.
HANEY, ARTHUR M.....	Representing the weir fishing industry of Deer Island, N.B.
HANLON, ALFRED.....	President, United Maritime Fishermen, Canso, N.S.
HANNAY, A. B.....	Secretary, Rubber Association of Canada, Toronto, Ont.
HARRINGTON, LESLIE J.....	Manager, F. W. Woolworth Co. Ltd. of Canada, Toronto, Ont.
HARRISON, G. E. W.....	Representing Harrison Brothers, Ltd., Montreal, Que.
HARRISON, W. H.....	Representing Harrison Brothers, Ltd., Montreal, Que.
HARVEY, FLETCHER.....	Representative of fishermen of Island of Grand Manan, N.B.
HEARST, J. E.....	Comptroller, S. S. Kresge Co. Ltd., Toronto, Ont.
HIGGINS, F. PAGE.....	Auditor, Fred Page Higgins & Co., Toronto, Ont.

HOADLEY, HON. GEORGE.....	Minister of Health, Railways and Telephones, Trade and Industry, Province of Alberta.
HODGSON, W. M.....	President, Thrift Stores Ltd., Montreal, Que.
HOLDEN, A. R.....	Counsel, Dominion Textile Co. Ltd., Montreal, Que.
HOMMEL, R. H.....	President, Stop & Shop Ltd., Toronto, Ont.
HOUGHAN, GEORGE S.	Executive Secretary, Ontario Branch of Retail Merchants Association of Canada.
HUGHES, JOHN.....	Secretary-Treasurer, L. O. Grothé, Limited, Montreal, Que.
HUNT, HUBERT.....	Superintendent, Dominion Stores, Limited, Ot- tawa, Ont.
HUNT, W. H.....	Farmer, Northumberland County, Ont.
HUNTER, MISS MARY.....	Employee, T. Eaton Co. Ltd., Toronto, Ont.
HURSON, T. V.....	Dept. of National Revenue, Ottawa.
HUTCHISON, T. A. M.....	Auditor, Peat, Marwick, Mitchell & Co., Toronto, Ont.
HUTCHISON, MISS WINIFRED, B.A.....	Investigator, Toronto, Ont.
INGALDSON, I.....	Manager, Canadian Livestock Co-operative (Western) Limited, Winnipeg, Man.
IRVINE, JOHN A.....	Independent butcher, Ottawa, Ont.
IVEY, G. R.....	Counsel, F. W. Woolworth Co. Ltd. of Canada, Toronto, Ont.
JAMIESON, A. E., M.L.A.....	Chairman, Committee on Agriculture and Colonization, Province of Ontario.
JARCHOW, C. E.....	Assistant Comptroller, International Harvester Company, Chicago, Ill.; U.S.A.
JETTE, J. R.....	Manager, I. Caron Limited, Montreal, Que.
JOHNSON, Mrs. LILLIAN.....	Ex-employee, T. Eaton Co. Ltd., Toronto, Ont.
JOHNSTON, F. M.....	Investigator, Montreal, Que.
JOHNSTON, J. G.....	Secretary-Treasurer, Canadian Chain Stores Association, Toronto, Ont.
JOHNSTON, STRACHAN, K.C.....	Counsel, Great Atlantic and Pacific Tea Company and Stop & Shop Ltd.
JOUDIN, JOE A.....	Ex-store Manager, Great Atlantic and Pacific Tea Company, Montreal, Que.
KAHNE, J.....	Representative of Associated Clothing Manu- facturers of Quebec, Montreal, Que.
KAY, WM. R.....	Auditor, Fred Page Higgins & Co., Toronto, Ont.
KELLOCK, R. L.....	Counsel T. Eaton Co. Ltd., Toronto, Ont.
KENNEDY, H. P.....	President, Edmonton Stockyard Limited, and Union Stockyards of Saskatoon.
KERR, MAJOR O. J.....	Mayor of Stratford, Ont.
KINGSTON, W. F.....	Tobacco grower, Norfolk and Elgin Counties, Ont.
KIRK, SAMUEL.....	Superintendent, Stop & Shop Ltd., Toronto, Ont.
KIRKWOOD, MISS DORIS.....	Employee, T. Eaton Co. Ltd., Toronto, Ont.
KNICKLE, CAPTAIN ROLAND.....	Representing the fishermen of Lunenburg, Lockeport and South shore fisheries, Nova Scotia.
LANCASTER, H. M.....	Dominion Analyst, Ottawa, Ont.
LANDRY, NUMA, JR.	Store Manager, Thrift Stores Ltd., Montreal, Que.
LANGLAIS, MISS A.....	Ex-employee, Fashion Craft Ltd., Victoria- ville, Que.
LASH, J. F.....	Solicitor, Dominion Securities Corporation, Limited, Toronto, Ont.
LAVER, A. V.....	Commissioner of Public Welfare, Toronto, Ont.
LAW, J.....	Manager, Wilsil Limited, Montreal, Que.
LAWRENCE, WM. JAMES THOS.....	Ex-store Manager, Stop & Shop Ltd., Toronto, Ont.
LEA, T. L.....	Manager, Ontario Leaf Department, The Im- perial Tobacco Company of Canada Ltd.
LeBEL, A. M.....	Counsel, Metropolitan Stores Ltd., London, Ont.

LEBLANC, HECTOR.....	Store Manager, Thrift Stores, Montreal, Que.
LEITCH, ARCHIBALD.....	Tobacco grower, Guelph, Ont.
LETENDRESSE, MISS AILINE.....	Ex-employee, Fashion Craft, Victoriaville, Que.
LEVEE, J. P.....	National Associated Women's Wear Bureau, Montreal, Que.
LEWIS, MISS KATE.....	Employee, T. Eaton Co. Ltd., Toronto, Ont.
LLOYD, MISS VIOLET.....	Employee, T. Eaton Co. Ltd., Toronto, Ont.
LOCKWOOD, NORMAN A.....	President, Hodge Tobacco Company, Kingsville, Ont.
LOGGIE, LEONARD.....	Vice-President, United Maritime Fishermen's Federation, representing the fishermen of Miramichi River and Northumberland County, N.B.
LUNEAN, MISS OREA.....	Ex-employee, Fashion Craft Ltd., Victoriaville, Que.
MACFARLANE, E. D. H.....	Secretary-Treasurer, Whittall Can Co. Ltd., Montreal, Que.
MACKAY, ALEXANDER C.....	Representing Retail Merchants' Association of Alberta.
MACKENZIE, ALEXANDER.....	Wholesale butcher, Toronto, Ont.
MACLACHLAN, D. C.....	General Manager, Maple Leaf Milling Company, Toronto, Ont.
MACLEAY, RODERICK.....	Rancher, High River, Alta.
MACTAVISH, D. A.....	Counsel, Canadian Chain Store Association, Toronto, Ont.
MANN, J. A.....	Counsel, Whittall Can Co. Ltd., Montreal, Que.
MARION, JOSEPH.....	Farmer and Dealer in leaf tobacco, St. Jacques L'Achigan, Montcalm County, Que.
MARSHALL, HARRY.....	Proprietor of H. Marshall Co., Montreal, Que.
MASON, G. W., K.C.....	Counsel, T. Eaton Co. Ltd., Toronto, Ont.
MATTHEWS, EDWARD.....	Representing the fishermen of Campobello Island, N.B.
MATTHEWS, GEORGE R.....	Secretary, British Columbia Provincial Board, Retail Merchants' Association, Vancouver, B.C.
MATTHEWS, HON. R. C.....	Minister of National Revenue, Ottawa, Ont.
McADAM, V. F.....	Secretary and Manager, Boys' Home, Montreal, Que.
McCALLUM, J. M.....	Chief of the Market Service, Live Stock Branch, Department of Agriculture, Ottawa, Ont.
McCARTHY, WM. H.....	Managing Director, Streetsville Flour Mills, Streetsville, Ont.
McINTOSH, F. R.....	General Manager, Associated Quality Cannery Limited, Toronto, Ont.
McKAY, J. F.....	President, Ontario Tobacco Plantations Ltd., Toronto, Ont.
McKENZIE, HON. DONALD GORDON....	Minister of Agriculture, Province of Manitoba.
McLEAN, ALEXANDER NEIL.....	President, Connor Brothers, Blacks Harbour, N.B.
McLEAN, ALLAN N. A.....	Representing Connor Brothers Limited, Blacks Harbour, N.B.
McLEAN, D. J.....	Superintendent, Weights and Measures, Department of Trade and Commerce, Ottawa, Ont.
McLEAN, J. S.....	President, Canada Packers Limited, Toronto, Ont.
McMANN, HOLLAND.....	Ex-manager, Great Atlantic and Pacific Tea Co. Ltd., Toronto, Ont.
McMULLEN, MISS MAY.....	Employee, T. Eaton Co. Ltd., Toronto, Ont.
McQUARRIE, W. L.....	Secretary, Saskatchewan Branch, Retail Merchants Association of Canada.
McWATTERS, WILLIS.....	Ex-manager, Dominion Stores Limited, Toronto, Ont.
MENDELSOLH, S. LEON.....	Counsel, Rubin Brothers, Victoriaville, Que.
MERRILL, W. A., K.C.....	Counsel, Thrift Stores Ltd., Montreal, Que.

MESSIER, ROSARIO.....	Acting Dominion Secretary, Retail Merchants Association of Canada.
MILLER, GRAY.....	President, Imperial Tobacco Company of Canada Limited, Montreal, Que.
MOORE, FRANK S.....	Department Manager, T. Eaton Co. Ltd., Toronto, Ont.
MOORE, TOM.....	President, Canadian Trades and Labour Congress, Ottawa, Ont.
MORIN, EUGENE.....	Manager, Fishermen's Co-operative, Gaspé County, Que.
MORRISON, CECIL.....	Manager, Morrison-Lamothe Ltd., Ottawa, Ont.
MORRISON, C. R.....	President, International Harvester Company of Canada Limited, Hamilton, Ont.
MORTON, F. M.....	Vice-President, International Harvester Company Limited, Hamilton, Ont.
MOYER, ELLIS.....	Representing Moyer Brothers Limited, St. Catharines, Ont.
MUNICH, A. G.....	President, Benson and Hedges (Canada) Limited, Montreal, Que.
NASH, MAJOR A. E.....	Auditor, Clarkson, Gordon, Dilworth, Guilfoyle and Nash, Toronto, Ont.
NIGHTINGALE, F.....	Auditor, Halifax, N.S.
NOLAN, MISS K.....	Ex-employee, T. Eaton Co. Ltd., Toronto, Ont.
NOLIN, MISS BERTHE.....	Former factory worker, Victoriaville, Que.
OSWIN, GORDON.....	Salesman for United Farmers Live Stock Department, Toronto, Ont.
PACE, GEORGE.....	Ex-Manager, Dominion Stores, Toronto, Ont.
PARDOE, AVERN.....	President, Canadian Cannery Ltd., Hamilton, Ont.
PATTON, M. J.....	Economist, Canadian Chain Store Association, Toronto, Ont.
PEAKER, WM. J.....	Investigator, Ottawa, Ont.
PELLETIER, MISS R.....	Ex-employee, Fashion Craft, Victoriaville, Que.
PERKINS, SID.....	Wholesale and retail fish dealer, Toronto, Ont.
PERKS, MISS FLORENCE.....	Employee, T. Eaton Co. Ltd., Toronto, Ont.
PERRAULT, ANTONIO.....	Counsel, Fashion Craft Manufacturers and Victoria Clothing Limited, Montreal, Que.
PETERSON, A. W.....	Assistant Chief, Division of Field Service, Livestock Branch, Department of Agriculture, Ottawa, Ont.
PICARD, A. C.....	Vice-President in charge of sales, Rock City Tobacco Company Limited, Quebec, P.Q.
PINCHIN, R. J.....	Vice-President, Copeland Flour Mills Limited, Midland, Ont.
POLLIN, ROBERT.....	Manager, Dominion Stores, Montreal, Que.
PRIOR, P. G.....	Secretary-Treasurer, Associated Quality Cannery Limited, Toronto, Ont.
QUINN, A. B.....	Member of Toronto Live Stock Exchange, Toronto, Ont.
RANKIN, WM.....	Vice-President, King and Rankin Limited, Belleville, Ont.
REICH, JACOB.....	Business Agent, Amalgamated Clothing Workers of America, Montreal, Que.
REID, CHARLES E.....	Ex-Manager, Dominion Stores Ltd., Toronto, Ont.
REID, MISS MABEL.....	Employee, T. Eaton Co. Ltd., Toronto, Ont.
REYNOLDS, L. B.....	Manager of Co-operative, Fruit Grower and Gardener, Waterford, Ont.
RICE, FREDERICK CHARLES.....	Ex-Manager, Dominion Stores Ltd., Montreal, Que.
RICHARD, EUGENE.....	President, Fashion Craft Manufacturers Ltd., Montreal, Que.
RICHARDSON, G. G.....	Auditor, Clarkson, Gordon, Dilworth, Guilfoyle and Nash, Toronto, Ont.
RICHARDSON, R. B.....	Representing the Algonquin Sea Foods Ltd., St. Andrews, N.B.
ROBBINS, SYLVESTER.....	Former Salesman for Cockshutt Plow Company, Brantford, Ont.

ROBINSON, M. M.....	Chairman, Ontario Growers' Markets Council, St. Catharines, Ont.
ROBLIN, P. E.....	President, Saskatchewan Co-operative Live- stock Producers Ltd.
ROCH, ROSAIRE.....	Manager, Tobacco Co-operative at L'Achigan, St. Jacques, Montcalm County, Que.
RUMP, CHARLES W.....	Investigator, Toronto, Ont.
RYAN, T. J.....	President, Montreal Livestock Exchange, Montreal, Que.
SAIR, RICHARD A.	Ex-store Manager, Thrift Stores Ltd., Mont- real, Que.
SARGEANT, W.....	Manager, Goodrich Rubber Co., Kitchener, Ont.
SCHAFFRAN, JOSEPH.....	General Manager, Thrift Stores Ltd., Mont- real, Que.
SCHNEIDERMAN, ALEX.....	President and General Manager, United 5c to \$1.00 Stores, Montreal, Que.
SCURRAH, CLARENCE.....	General Meat Superintendent, Dominion Stores Ltd., Montreal, Que.
SCYTHES, E. C.....	President, Victoria Tobacco Plantations, Sim- coe, Ont.
SHAW, JOHN ROSS.....	Ex-President of Canada Furniture Manu- facturers Ltd.
SHEPHERD, A. B.....	Auditor, Peat, Marwick, Mitchell and Com- pany, Toronto, Ont.
SHORT, C. H. G.....	Honorary President, Canadian National Mill- ers' Association, Toronto, Ont.
SMART, E. M.....	Representing Smart Brothers, Collingwood, Ont.
SMITH, A. L.....	President, Eastern Canada Fertilizer Associa- tion, Welland, Ont.
SMITH, E. J.....	Representing White Packing Co., Stratford, Ont.
SMITH, JOHN F.....	Ex-employee, Dominion Stores Ltd., Toronto, Ont.
SMITH, JACK.....	Supervisor, Dominion Stores Ltd., Toronto, Ont.
SMITH, MORLEY.....	President, Dominion Stores Ltd., Toronto, Ont.
SOLLOWS, NORMAN C.....	Director, United Maritime Fishermen's Union, representing the fishermen of Yarmouth and Shelburne Counties, N.S.
SOMERSET, W. B.....	Commissioner of Marketing for Ontario.
SPAFFORD, EARL.....	Vice-President in charge of sales and ad- vertising, Imperial Tobacco Company of Canada Ltd., Montreal, Que.
SPARKS, R. P.....	Ottawa, Ont.
SPECTOR, J. J.....	Counsel for Miss Eleanor Hamel, factory worker, Victoriaville, Que.
STAPELLS, RICHARD.....	Chairman, Ontario Minimum Wage Board, Toronto, Ont.
STEWART, WALTER.....	President, Macdonald Tobacco Company, Montreal, Que.
SWATMAN, M. H.....	Tobacco Grower, Leamington, Ont.
SWEET, E.....	Counsel for the Cockshutt Plow Company Ltd., Brantford, Ont.
SWINDEN, JOHN S.....	Auditor and Investigator, Ottawa, Ont.
TALBOT, HARRY.....	Member for Toronto Live Stock Exchange, Toronto, Ont.
TAPLEY, J. H.....	Manager, Swift Canadian Company, Ltd., Toronto, Ont.
TETRAULT, J. H.....	Vice-President, Quebec Division Retail Mer- chants' Association, Drummondville, Que.
THOMAS, C. W.....	Representing Canadian Leaf Tobacco Co. Ltd., Chatham, Ont.
THOMPSON, COL. A. T.....	Counsel, Canadian Cannery Ltd., Hamilton, Ont.
THOMPSON, CLARENCE.....	Representing the fishermen of Dipper Harbour, Chance Harbour, Lorneville and St. John Harbour, N.B.

TODD, S. E.....	Secretary-Treasurer, Industrial Development Council of Canadian Meat Packers, Toronto, Ont.
TORY, DR. H. M.....	President, National Research Council, Ottawa, Ont.
TUCKER, MISS AMY.....	Ex-employee, T. Eaton Co. Ltd., Toronto, Ont.
UNGER, J. H.....	Treasurer and Controller, Metropolitan Stores Ltd., London, Ont.
URQUHART, DANIEL, K.C.....	Counsel, Loblaw's Ltd., Toronto, Ont.
VEZINA, DONAT.....	Meat Manager, Dominion Stores, Quebec, P.Q.
VIRTUE, LESLIE D.....	Ex-store Manager, Stop & Shop Ltd., Toronto, Ont.
WALKER, H. C.....	Counsel, S. S. Kresge Co. Limited, Toronto, Ont.
WARD, H. W.....	Vice-President of Canadian Bakeries Ltd., Calgary, Alta.
WEIR, THOMAS.....	Auditor, Clarkson, Gordon, Dilworth, Guilfoyle and Nash, Toronto, Ont.
WELLS, MRS. ANNIE S.....	Ex-employee, T. Eaton Co. Ltd., Toronto, Ont.
WELLS, MISS WINIFRED.....	Ex-employee, T. Eaton Co. Ltd., Toronto, Ont.
WERRETT, NORMAN.....	Grocer, Simcoe, Ont.
WHITE, ARTHUR F.....	Representing Dominion Securities Corporation Limited, Toronto, Ont.
WHITE, PETER.....	Counsel, Loblaw's Limited, Toronto, Ont.
WHITELY, H. S.....	Statistician, Dominion Bureau of Statistics, Ottawa, Ont.
WHITMAN, A. HANDFIELD.....	President, Robin, Jones and Whitman Ltd., Halifax, N.S.
WHITTALL, D.S.....	Vice-President, Whittall Can Company Ltd., Montreal, Que.
WILCOX, BURTON L.....	Director, United Maritime Fishermen, Louisburg, N.S.
WILKINSON, A. J.....	Chairman of Council, Canadian Pharmaceutical Association, Windsor, Ont.
WILSON, W. A.....	Animal Products Trade Commissioner, London, England.
WOOD, JAMES.....	Store Manager, Dominion Stores Ltd., Toronto, Ont.
WOOD, P. L.....	Ex-Manager, Stop & Shop, Montreal, Que.
WORTH, REGINALD H.....	Wages Office, T. Eaton Co. Ltd., Toronto, Ont.
WOODROW, WM. H.....	Auditor, Fred Page Higgins & Co., Toronto, Ont.
WRIGHT, ROBERT A.....	President, Western Canada Live Stock Union.

ANNEX II

LIST OF DOCUMENTARY EXHIBITS FILED WITH COMMISSION

Exhibit No.

- 1—Copy of Proceedings, Evidence and Report of the Standing Committee of the House of Commons on Agriculture and Colonization; Session 1932-1933, respecting Milk and Milk Products.
- 2—Memorandum submitted by the Dominion Statistician: "Procedure of investigation under Government notice of motion dated January 29, 1934."
- 3—Statement showing:
 - (a) Community price spreads.
 - (b) Index numbers of Wheat, Flour, and Bread, 1926-1933.
 - (c) Canadian prices of Wheat and Wheat Products, 1932-1933.
 - (d) Index numbers of Hogs, Pork carcass, Bacon and Lard, 1926-1933.
 - (e) Canadian prices of Hogs and Hog Products, 1932-1933.
 - (f) Index numbers of Sugar at Vancouver, 1926-1933.
 - (g) Vancouver prices of Sugar, 1932-1933.
- 4—Minutes of Proceedings, Evidence, and Report of the Select Standing Committee on Banking and Commerce, 1932, respecting the inquiry on the Price of Gasoline.
- 5—Memorandum by the Dominion Statistician, entitled: "Commodities on which Data to be Assembled."
- 6—Reply to questionnaire on Minimum Wage Law, Province of Nova Scotia.
- 7—Reply to questionnaire on Minimum Wage Law, Province of Manitoba.
- 8—Orders of the Ontario Minimum Wage Board, Nos. 3, 6, 10 and 39 inclusive, 41 to 50 inclusive, and Amending Orders Nos. 3 and 29.
- 9—Thirteenth Annual Report of the Ontario Wage Board, 1933.
- 10—Annual Report of the Women's Minimum Wage Commission, Province of Quebec, for the year ending June 30, 1933.
- 11—An Act to provide for fixing a Minimum Wage for Women, Chapter 100, Revised Statutes of Quebec, 1925.
- 12—List of firms prosecuted under the Quebec Women's Minimum Wage Act, and penalty imposed.
- 13—Form indicating "Rates per Hour."
- 14—Question form for employers *re* employees. Women's Minimum Wage Board, Quebec.
- 15—Minimum Wage Board Orders Nos. 3, 7 (amended) and 9a, Province of Quebec.
- 16—Statement entitled: "Various Ways of Evading the Minimum Wage Law."
- 17—Report on Labour Conditions in the Men's Clothing Industry, by Messrs. F. R. Scott and H. M. Cassidy.
- 19—Reply from the Province of Saskatchewan; to questionnaire on Minimum Wage Law.
- 20—Report to the Honourable the Postmaster General on the methods adopted in Canada in carrying out of Government Clothing Contracts, 1898, by W. L. Mackenzie King, M.A., LL.B.
- 21—Report on Wages, Hours and Working conditions in Automotive Transport Industry, 1933, issued by the Department of Labour of Ontario.
- 22—The Public Utilities Act, 1933, Amendment Act, 1933, Province of Alberta.
- 25—Order No. 6996 (Edmonton Order), by the Board of Public Utility Commissioners for Province of Alberta.
- 26—Order No. 6941 (Calgary Order), by Board of Utility Commissioners for the Province of Alberta.
- 27—Memorandum entitled: "Regulations of Milk under the Public Utilities Act, Alberta."
- 28—Reply from the Province of British Columbia, to questionnaire on the Minimum Wage Law.
- 29—Organization Chart, United States National Recovery Administration.
- 30—Memorandum by the Dominion Bureau of Statistics entitled: "Wholesale Prices of Canadian Farm Products and Other Commodity Groups, 1928-1934."
- 31—Memorandum by the Dominion Bureau of Statistics entitled: "Price Index Numbers and Actual Prices of Live Stock and Live Stock Products, 1926-1933."
- 32—Copy of tender and contract *re* purchase of caps by the Department of National Defence, as requested by the Commission.
- 32a—Letter from the Deputy Minister of Labour, to be added as part of Exhibit No. 32.
- 33—Questionnaire sent out by the Canadian Association of Garment Manufacturers to members of the Needle Trades.
- 38—Army and Navy Mail Order Catalogue, Regina, 1934.

Exhibit No.

- 39—Original copy of letter addressed by the Executive Secretary of the Ontario Agricultural Council to chain store Executive.
- 40a—Advertisement of Pickering Farm, Toronto *Telegram*, November 30, 1933.
- 41—Copy of contract between a chain store Executive and the manager of a branch store (Thrift Stores Limited).
- 43—Specimen sales slips showing, on reverse side, cash price guarantee, T. Eaton Co. Ltd.
- 44—Official copy of brief submitted by Mr. G. S. Hougham *re* Ontario Board, Retail Merchants' Association of Canada.
- 45—Reply from the Province of Alberta to questionnaire on Minimum Wage Law.
- 46—Constitution of the Canadian Chain Store Association with accompanying letter.
- 46a—Letters addressed to the Retail Merchants' Association, Winnipeg, by radio manufacturers.
- 47—Letter from the Manitoba Chapter, Association of Electragists International, to Retail Merchants of Canada, Winnipeg.
- 49—Telegram addressed to Mr. C. C. Falconer from Winnipeg *re* glassware as premium in theatres.
- 50—Telegram from Mr. J. W. Harris, Saskatoon, to Mr. W. L. McQuarrie, secretary, Saskatchewan Branch of Retail Merchants' Association of Canada.
- 51—Copy of Resolution passed by Independent Retail Merchants of Yorkton, Sask., *re* chain and department stores advertising and accompanying file of letters from merchants.
- 52—Series of advertisements, invoices, affidavits and price comparisons described as follows:
- (a) Groceries, fruits and provisions.
 - (b) Dry goods, clothing, men's and women's wear.
 - (c) Boots and shoes, rubber footwear.
 - (d) Meats.
 - (e) Drug trade and jewellers.
 - (f) Pianos, radios, etc.
 - (g) Furniture.
 - (h) Automobile accessories, etc.
 - (i) Hardware, lumber, fuel, and implements.
 - (f) Affidavit *re* misrepresentation in advertising bankrupt sales.
 - (k) Letter *re* misrepresentation in advertising travellers' samples.
- 53—Copy of resolution passed by retailers at Lloydminster, Sask.
- 54—Statement from the Committee of the Charlottetown Board of Trade *re* chain store and mail order houses together with statement of Wholesale Grocers' Committee and Agricultural Committee.
- 56—Copy of bulletin *re* rubber footwear issued by the Dominion Rubber Association.
- 57—Series of advertisements with attached data on cut prices.
- 58—Data *re* cut prices on bread in Alberta as affecting country bakers.
- 59—Series of replies received from merchants of the retail trade in Nova Scotia, to a questionnaire sent out by the Nova Scotia Branch of the Retail Merchants' Association.
- 60—Series of advertisements with invoices, comparisons between wholesale and retail prices and other data indicating the effect of such advertisements as Loss Leaders.
- 61—Brief submitted by the Summerside Board of Trade dealing with the competition merchants have to meet from the Mail Order business.
- 62—Series of advertisements, letter, comparisons between wholesale and retail prices and other data, all identified in Evidence by numbers, from 1 to 26 inclusive (British Columbia).
- 63—Suggestions for the elimination of unethical business practices, as approved by grocers and meat dealers in Vancouver.
- 64—Rules, regulations and by-laws of the Toronto Live Stock Exchange and copy of "An Act respecting Live Stock," chapter 120, 1933.
- 65—Resolutions from farmers' organizations, in the Province of Ontario, relative to the grading and supervision of Canadian bacon shipped to the British market and to the shipping and marketing of live stock.
- 66—Summarized report of proceeding of the Committee on Agriculture and Colonization of the Ontario Legislative Assembly with file of letters attached thereto.
- 67—Copy of Report No. 7, by the Department of Agriculture on the origin and quality of Commercial live stock marketed in Canada in 1926, and the copy of the thirteenth annual market review, 1932.
- 68—Supplement to brief by the Saskatchewan Co-operative Live Stock Producers, comprising:
- (a) Special act of incorporation and by-laws;
 - (b) Form of producers' agreement;
 - (c) Standard by-laws for local shipping association.
- 69—Draft of a constitution for suggested Canadian organization similar to the Agricultural Council of Denmark.
- 70—Memorandum entitled "Danish Agriculture," containing statistical information and the constitution of the Agricultural Council of Denmark.

Exhibit No.

- 71—Brief submitted by Canadian Live Stock Co-operative (Western) Limited, and Manitoba Co-operative Live Stock Producers, Limited.
- 72—Questionnaire sent to live stock producers and replies thereto with summarized analysis of these replies.
- 73—Brief submitted by Saskatchewan Co-operative Live Stock Producers Limited.
- 74—Statement showing live stock receipts at public markets and private sidings for the years 1927 to 1932 inclusive.
- 75—Memorandum by the Dominion Bureau of Statistics entitled: Gross Sectional Comparison.
- 76—Circular advertising sale of boots and shoes with attached explanatory notes.
- 79—Copy of bill to amend the Dairy Products Act (Province of Quebec), chapter 63, R.S. 1925.
- 80—Letter addressed by the Florists' Delivery Association Inc. Montreal, to the Retail Merchants' Association.
- 83—Series of advertisements together with wholesale prices obtained from three wholesale grocery firms.
- 84—List of prosecutions against chain stores in Montreal from Dec. 7 to Dec. 23, 1933.
- 85—Statement showing special taxes imposed on chain stores by the City of Montreal in March, 1933.
- 86—H. P. Kennedy Commission Co. sales sheet for two carloads of cattle, cows and calves shipped by rail, showing commission of \$34.
- 87—H. P. Kennedy Commission Co. sales sheet for one carload of cattle, cows, calves and sheep, shipped by train, showing commission of \$17.
- 88—H. P. Kennedy Commission Co. sales sheet for twenty-five calves shipped by truck showing commission of \$6.25, and requiring 12 cheques and statements.
- 89—H. P. Kennedy Commission Co. sales sheet for seventeen calves and two cattle shipped by truck, showing commission of \$6.25, and requiring 12 cheques and statements.
- 90—Copy of Bill (S. 2133, January 10, 1934), before the United States Senate, to amend the Packers and Stockyards Act, 1921.
- 91—Copy of Bill (S. 2621, February 5, 1934), before the United States Senate, to amend the Packers and Stockyards Act, 1921.
- 92—Copy of Bill (S. 3064, March 15, 1934), before the United States Senate, to amend the Packers and Stockyards Act, 1921.
- 93—Newspaper clipping reporting evidence given before the United States Senate Committee on Agriculture by D. M. Hildebrand, on the marketing of hogs.
- 94—Comparative statement of market prices for live stock, October, 1934.
- 95—Statements showing receipts of Live Stock at Canadian markets for the years 1924 to 1933 inclusive, compiled by the Union Stock Yards of Toronto, Ltd.
- 96—Specimen copies of Dunn and Levack sales sheets.
- 97—Specimen copies of Dunn and Levack sales sheets with weighers' tickets attached thereto.
- 98—Dunn and Levack sales sheets with attached letter and trucker's statement of account.
- 99—Copies of report of the Toronto Live Stock Commission Brokers for the years 1932 and 1933.
- 100—Two copies of the report of the Registrar under the Combines Investigation Act, on an alleged combine of Tobacco manufacturers and other buyers of raw leaf tobacco in the Province of Ontario, 1933.
- 101—Memorandum to the Hon. Mr. Macaulay from J. P. Bickell, Registrar of motor vehicles with attached copy of letter addressed to various packing houses, copy of the Public Commercial Vehicle Act, R.S.O. 1927, Chapter 253, as amended by 1930, Chapter 49, and copy.
- 102—Statement showing retail cost of handling and distributing milk.
- 103—Copy of the report of the Tobacco Enquiry Commission by the Provinces of Ontario and Quebec, 1928.
- 104—Memorandum entitled: Developments in the Tobacco Producing Industry in Canada, 1928-1934.
- 105—Statement showing statistics relative to the Canadian Tobacco Industry, compiled by the Tobacco Division, Department of Agriculture, Ottawa, dated February 12, 1934.
- 106—Graph showing United States tobacco growers' receipts and manufacturers' profits.
- 107—Three Charts described as follows:
 - (a) Showing spreads between average yearly prices of one pound of wheat, flour used in one pound of bread, and one pound of bread. (1913-23.)
 - (b) Showing spreads between average yearly prices of one pound of wheat (Fort William basin), flour used in one pound of bread, and one pound of bread. (1913-23.)
 - (c) Showing relation of Canadian wheat, flour and bread prices, 1924-33, as compared to the relation of their average for the year 1923.
- 108—Copy of report by the Registrar under the Combines Investigation Act, relative to an investigation into an alleged combine in the Bread Baking Industry in Canada, dated February 5, 1931.

Exhibit No.

- 109—Copy of report on the Bread and other Bakery Products in Canada, 1932, published by the Dominion Bureau of Statistics.
- 111—Newspapers advertisement containing an extract of an editorial from "Advertising and Selling" on price of bread.
- 113—Copy of a suggested code of ethics submitted by The Master Bakers' Association of Saint John, N.B., together with a number of newspaper advertisements with affidavits attached thereto.
- 117—Copy of a suggested code of ethics submitted by the Master Baker Association of Vancouver.
- 118—Series of advertisements, photographs, invoices, etc., submitted as an illustration of unfair trade practices in the Baking Industry.
- 119—Statement entitled: Toronto Retail Cake Bakers' criticism on Canadian Bakers' Association code.
- 120—All petitions and resolutions of protest received by the House of Commons during the present session against the imposition of an excise tax on raw leaf tobacco.
- 121—Statement by the Dominion Bureau of Statistics showing the price index numbers and actual price of tobacco from 1926 to 1933 and the prices of tobacco and cigarettes, 1923-1933.
- 122—Statement showing the interest of the Imperial Tobacco Company of Canada, Limited, in B. Houde Company, Limited.
- 123—Statement showing the undivided profits of Imperial Tobacco Company of Canada, Limited, and its subsidiary companies as at December 31, 1933.
- 124—Recapitulation of daily contracts of purchases, by the Imperial Tobacco Co. of Canada, Ltd. of flue-cured tobacco, 1931, crop, Delhi.
- 125—Recapitulation of daily contracts for purchases, by the Imperial Tobacco Company of Canada, Limited, of flue-cured tobacco, 1931, crop Leamington.
- 126—Statement showing Delhi green leaf purchases by Imperial Leaf Tobacco Company of Canada, Ltd., for the years 1930-33 inclusive.
- 127—United Cigar Stores Ltd.: Statement of net income and wages for three years ended December 31, 1931-1933. (For Toronto stores as listed.)
- 128—Imperial Tobacco Company of Canada, Ltd., total factory payroll for the years 1931-33 inclusive.
- 129—List of salaries and bonuses to chief Executives of the Imperial Tobacco Co. of Canada, Ltd., and subsidiary companies.
- 130—Copy of indenture dated July 7, 1921, between British American Tobacco Company, Ltd., and Imperial Tobacco Company of Canada, Ltd.
- 131—Copy of memorandum of agreement dated September 23, 1921, between Imperial Tobacco Company of Canada Ltd., and George Garland Allen and Edgar Simeon Bowling.
- 132—Imperial Tobacco Co. of Canada, Ltd., By-Law 87a, December, 1929.
- 133—Statement showing daily purchases by the Imperial Tobacco Company of Canada, Ltd., of flue-cured tobacco, 1932 crop.
- 134—Imperial Tobacco Company of Canada, Ltd., and subsidiary companies' statements showing Canadian grown leaf on hand as at March 31, 1930 to 1934, inclusive.
- 135—Copy of brief submitted by Mr. Gray Miller, of Imperial Tobacco Co. of Canada, Limited.
- 136—Memorandum on effects of change in policy as to tobacco prices following Mr. T. L. Lea's visit to Montreal, 1931.
- 137—Financial statements of L. O. Grothe, Ltd., for the years 1929 to 1933, inclusive.
- 138—Financial statements of the Rock City Tobacco Company, Ltd., for the years 1929-1933, inclusive.
- 139—Financial statements of the Canadian Leaf Tobacco Company Limited, for the years 1929-1931, inclusive.
- 140—Financial statements of the British Leaf Tobacco Co. Ltd., for the years 1929-1933, inclusive.
- 141—Statements showing history of price changes on ten leading cigarette brands, and on ten leading tobacco brands.
- 142—Series of telegrams relating to the Imperial Tobacco Company's attitude towards price maintenance and merchandising methods.
- 143—Copy of agreement entered into by members of the Ontario Wholesale Tobacco Distributions.
- 144—Financial statements of The Tuckett Tobacco Company, Limited, 1930 to 1933, inclusive.
- 145—Financial statements of The Hodge Tobacco Company of Canada, Limited, 1929 to 1933, inclusive, together with statement covering purchases of 1933 crop of flue-cured tobacco.
- 146—Financial statements of The Dominion Tobacco Co. Ltd., 1929 to 1933, inclusive.
- 147—Financial statements of Empire Tobacco Co. Ltd., 1929 to 1933, inclusive.
- 148—Financial statements of James Kirk Ltd., 1929 to 1933, inclusive.

Exhibit No.

- 149—Financial statements of The H. Fortier Co. Ltd., 1929 to 1933, inclusive.
- 150—Financial statements of John Erzinger, Ltd., 1929 to 1933, inclusive.
- 151—Financial statements of Scales & Roberts, Ltd., 1929 to 1933, inclusive.
- 152—Financial statements of American Tobacco Co. Ltd., 1930 to 1933, inclusive.
- 153—Financial statements of Punch Cigar Co. Ltd., 1929 to 1933, inclusive.
- 154—Financial statements of Andrew Wilson & Co. Ltd., 1929 to 1933, inclusive.
- 155—Financial statements of National Tobacco Co. Ltd., 1929 to 1933, inclusive.
- 156—Financial statements of Liggett & Myers Tobacco Co. of Canada, Ltd., 1929 to 1933, inclusive.
- 157—Financial statements of Quebec Leaf Tobacco Co. Ltd., 1931 to 1933, inclusive.
- 158—Financial statements of General Cigar Co. Ltd., 1929 to 1933, inclusive.
- 159—Financial statements of The B. Houde Co. Ltd., 1929 to 1933, inclusive.
- 160—Financial statements of United Cigar Stores, Ltd., 1929 to 1933, inclusive.
- 161—Financial statement of United Cigar Stores, New Brunswick, Ltd., 1933.
- 162—Financial statements of United Cigar Store (Nova Scotia) Ltd., 1933.
- 163—List of Canadian Leaf Tobacco Company grade marks.
- 164—Statement of W. C. Macdonald, Inc., showing price changes on cut tobacco and cigarettes.
- 165—Statement of W. C. Macdonald, Inc., showing wages and hours of labour.
- 166—Statement showing Imperial Tobacco Co., scale of wages prior to July 3, 1933, compared with scale of wages at the present time.
- 167—Memorandum on cost of producing flue-cured tobacco *re* Imperial Tobacco Co.'s brief page 48 et seq.
- 181—Statement submitted by Mr. Gustave Francq, chairman of the Quebec Minimum Wage Board, showing a compilation in the different trades of the Textile Industry in the Province of Quebec and in the City of Montreal together with a copy of the Board's Orders Nos. 5 and 6.
- 182—Rules and regulations governing agents of Fertilizer manufacturers, for the spring season of 1934, also rules and instructions to salesmen.
- 183—Receipt to Mr. M. M. Robinson, Burlington, Ontario, for \$47.10 paid for one ton nitrate and 200 pounds M. Pot., purchased on May 14, 1934, from National Fertilizer Ltd., Ingersoll, Ontario.
- 184—Invoices submitted by Canadian Industries Ltd., to illustrate the difference in cost between shipments of fertilizer products from Hamilton, Ontario and Belœil, Quebec.
- 185—Price list of fertilizers and fertilizer materials issued by a number of Canadian Companies.
- 186—Copies of contracts passed between tomato growers and canning companies.
- 187—Statement submitted by Mr. L. B. Reynolds, Waterford, Ontario, supplementary to his evidence of May 17, 1934, showing cost of growing strawberries, 1923 to 1933.
- 188—Statement showing consumers' cash prices in Ontario on 16 per cent superphosphate for the spring seasons of 1929 to 1934 inclusive.
- 189—Statement showing comparison of fertilizer sacked actual costs, 1933.
- 190—Canadian Industries Ltd. price lists No. 5 and No. 8, spring season of 1934, with attached directions to dealers.
- 191—Statement entitled: "Operative investment December 31, 1933, Fertilizer Division—East."
- 192—Ontario price schedule, terms, etc., spring season 1934 *re* fertilizer, showing discounts, commissions, etc.
- 193—Tire companies' reports on wages.
- 194—Rubber Association of Canada statement showing branch distribution and warehouse points for tires.
- 195—Tire bonus scale.
- 196—Rubber Association of Canada statement *re* Canadian tire production, importation and exportation.
- 197—Rubber Association of Canada statement *re* Casings shipments, domestic, and report 12 months 1933.
- 198—Statement of sales, capital, employees, etc., Rubber Association of Canada.
- 199—Reports on wages submitted by rubber footwear companies.
- 199a—Agreement between Canadian Rubber Footwear Manufacturers, January 1, 1932, to form Canadian Rubber Footwear Association.
- 200—Representation from Retail merchants, Calgary, *re* unfair competition in sale of bicycle tires and tubes, with copy of advertisement, invoices and Dominion Rubber Company price list attached thereto.
- 201—Statement *re* Canada Packers Ltd.,—Beef cost sheet classifying carcasses by grades.
- 202—Annual report and balance sheet of Canada Packers, Ltd., for the years 1927-1928, 1932-1933.
- 203—Copy of letter addressed by Moyer Bros. Ltd., to the Hon. Thomas Weir, Minister of Agriculture, April 19, 1934, together with copies of advertisements featuring butter offered at less than cost.

Exhibit No.

- 204**—Statement showing comparison of beef selling prices (4 weeks ended May 24, 1934) *re* Canada Packers, Ltd.
- 205**—Statement showing beef sales—cutter and boner grades—*re* Canada Packers, Ltd.
- 206**—Statement *re* Swift Canadian Co. Ltd., on average monthly cost and selling price of butter, eggs and poultry.
- 207**—Statement showing sales and purchases of butter, cheese and eggs by Wilsil Ltd.
- 208**—Photographed copy of letter by Dominion Securities Corp. Ltd., dated May 12, to shareholders of P. Burns & Company.
- 209**—Burns & Co. Ltd., Annual Reports 1928 to 1933, inclusive.
- 210**—Copy of prospectus *re* offering of \$6,900,000 Burns & Co. Ltd., 6 per cent cumulative preferred shares by Dominion Securities Corp. Ltd.
- 211**—Copy of prospectus *re* offering by the Dominion Securities Corp. Ltd., of \$7,000,000 Burns & Co. Ltd., first mortgage sinking fund 5½ per cent twenty-year bonds.
- 213**—Auditors' report on Woodward Stores, Ltd., Vancouver.
- 214**—Auditors' report on David Spencer Ltd., Vancouver.
- 215**—Auditors' report Army & Navy Dept. stores, A. J. Freiman, Ltd., James A. Ogilvy's Ltd., Dupuis Frères Limitée.
- 217**—Mid-winter catalogue, 1934, of Army & Navy Mail Order Department store, Regina.
- 217a**—Examples of merchandising methods taken from invoices and records—Army and Navy Stores, Regina (Mid-winter catalogue.)
- 219**—Auditors' report *re* Robert Simpson Co. Ltd., and subsidiary companies.
- 221**—Auditors' report *re* T. Eaton Company, Ltd.
- 221**—(Part of)—Schedules on wages mail order business, price spreads, etc., *re* The T. Eaton Co. Ltd.
- 223**—Memoranda *re* The Hudson's Bay Co., on—
 (a) Organization, financial structure and merchandising policies.
 (b) On salaries and wages.
 (c) On purchase in selected departments and price spreads, together with schedules referred to therein.
- 224**—Map of the Dominion of Canada, showing the establishments, and transport routes of the Hudson's Bay Co.
- 225**—Original report of Creak, Cushing & Hodgson, Chartered Accountants, Montreal, *re* Henry Morgan & Co. Ltd., as submitted by Mr. J. G. Glassco.
- 226**—Auditors' report on shoe companies (Referred to in No. 56 and 57 printed record).
- 227**—Auditors' report on manufacturers of men's clothing (Referred to in No. 57 of printed record.)
- 228**—Auditors' report on Company manufacturing overalls and work-shirts (Referred to in No. 57 of printed record.)
- 229**—Report and exhibits in investigation by Auditors of Winnipeg clothing manufacturers.
- 230**—A summary of particular purchases of furniture by Department stores, showing cost and profit to manufacturer.
- 231**—Record of views expressed by fishermen and others through interviews with Mr. L. W. Fraser.
- 232**—Pay off sheets Schooner *Frances G. Roue*, Swim Brothers.
- 233**—Petition of Lunenburg Fishermen on measure to relieve the fishing industry.
- 234**—Petition of Lockport Fishermen on measures to relieve the fishing industry.
- 235**—Weekly Price List, April 2, 1934—National Fish Company.
- 236**—General Fisheries Brief of United Maritime Fishermen.
- 237**—Memorandum on a plan to provide credits for fishermen to obtain gear.
- 238**—Petition of Western Nova Scotia Fishermen.
- 239**—Submission to the Jones Commission concerning the fishing industry and tariff.
- 240**—Submission from the Premier of New Brunswick on the fish industry, prepared by Mr. E. T. Caughey of Saint Andrews, N.B.
- 241**—Report of auditor on the Maritime National Fish Corporation.
- 242**—Copy of questionnaire completed by thirty distributing wholesale and retail fish companies.
- 243**—Returns to above questionnaire.
- 244**—Analysis of operations of five Atlantic Coast fish companies.
- 245**—Analysis of price fluctuations of fish.
- 246**—Analysis of operations of wholesale fish companies.
- 247**—Analysis of operations of retail fish stores.
- 248**—Analysis of price spreads on fish shipped to Montreal and Toronto markets.
- 249**—Financial Statement and Balance Sheet—F. W. Woolworth Co. Limited.
- 250**—Copy of contract between F. W. Woolworth Co. Limited and its American parent company.
- 251**—Auditor's Report on F. W. Woolworth Co. Limited.
- 252**—Auditor's Report on S. S. Kresge Co. Ltd.
- 253**—S. S. Kresge Co. Ltd., Financial Statement and Balance Sheets for 1929-1933 inclusive.
- 254**—Auditor's Report—Metropolitan Stores Limited.

Exhibit No.

- 255—Financial Statement—Metropolitan Stores Limited.
- 256—Auditor's Report—United Stores Limited.
- 257—Financial Statement, 1929-1933 inclusive—United 5c to \$1.00 Stores Limited.
- 258—Auditors' Report on Dominion Stores Ltd.
- 259—Financial Statements Dominion Stores Ltd., 1928-1933.
- 261—Auditors' Report on Great Atlantic & Pacific Tea Company.
- 262—Financial Statements, Great Atlantic & Pacific Tea Company.
- 264—Auditors' Report on Stop & Shop, Limited.
- 265—Financial Statements of Stop & Shop, Limited.
- 267—Auditors' Report on Carrolls Limited.
- 268—Financial Statements of Carrolls Limited.
- 270—Auditors' Report on Thrift Stores Limited.
- 271—Financial Statements—Thrift Stores Limited.
- 273—Auditors' Report on Steinberg's Service Stores, Ltd.
- 274—Financial Statements, Steinberg's Service Stores Ltd.
- 275—Auditors' Report on York Trading Co. Ltd.
- 276—Financial Statements, York Trading Co. Ltd.
- 277—Auditors' Report on Carload Groceries Limited.
- 278—Auditors' Report on National Grocers Co. Ltd.
- 279—Financial Statements, National Grocers Co. Ltd.
- 280—Auditors' Report on Red & White Corporation Limited.
- 281—Financial Statements, Red & White Corporation Limited.
- 284—Auditors' Report on Loblaw Groceries Company.
- 285—Financial Statements, Loblaw Groceries Company.
- 287—Auditors' Report on Grafton Stores Limited.
- 288—Financial Statements, Grafton Stores Limited.
- 289—Auditors' Report on Ellis Hosiery Co. Limited.
- 290—Financial Statements, Ellis Hosiery Co. Limited.
- 291—Auditors' Report on Walker Stores Limited.
- 292—Financial Statements, Walker Stores Limited.
- 293—Auditors' Report, Evangeline Stores Limited.
- 294—Financial Statements, Evangeline Stores, Limited.
- 295—Auditors' Report—G. Tamblyn Limited.
- 296—Financial Statements, G. Tamblyn Limited.
- 298—Auditors' Report on Louis K. Liggett Co.
- 299—Financial Statements, Louis K. Liggett Co.
- 301—Report by Auditors on United Drug Co. Ltd.
- 302—Auditors' Report on Independent Druggists' Alliance.
- 303—Auditors' Report on Eaton's Groceries.
- 304—Auditors' Report on Laura Secord Candy Shops Limited.
- 305—Financial Statements, Laura Secord Candy Shops Limited.
- 306—Auditors' Report on Hunt's Limited.
- 306-A—Financial Statements, Hunt's Limited.
- 307—Weights and Measures Act and Regulations, 1929.
- 308—Reasons for conviction registered against chain stores in decisions of Magistrate Maxwell, St. Thomas, January and February, 1930.
- 309—Record of conviction in respect of chain stores weighing of meat, Ottawa, July, 1934.
- 319—Copy of bread contract between George Weston Bread and Cakes Ltd. and Dominion Stores Limited for Toronto, April 29, 1933.
- 320—Copy of bread contract between Northern Bakeries Ltd. and Dominion Stores Limited for Montreal, March 27, 1933.
- 321—Certified copies of convictions in Ottawa for false and unjust scales, July, 1934.
- 322—Report by Food Council to President of Board of Trade (United Kingdom) on short weight and measures in the sale of food stuffs—Cmd. 2591, 1926.
- 323—Report on Short Weight and Deceptive Packages with reference to Chain Store System of Merchandising, Weights and Measures Inspection Service, Department of Trade and Commerce, Ottawa, Ont.
- 325—Crowder Report and accompanying exhibits.
- 326—Memorandum on Merchandising in Canada (Dominion Bureau of Statistics).
- 327—Wage earnings for Canada and the Provinces (Dominion Bureau of Statistics).
- 328—Letters—Mr. E. J. Young, M.P., to Dominion Statistician.
- 329—Dominion Stores: Forms—Fruit Credit, Merchandise Credit, Price Change Credit.
- 330—Agreements between L. O. Vitue, Arnold Bros. Ltd., and Stop & Shop Ltd., with receipt attached.
- 331—Contract between Samuel Kirk and Stop & Shop Ltd.
- 332—Store Forms for Allowances—Great Atlantic & Pacific Tea Co.
- 333—Beef Chart—Department of Agriculture.
- 334—Meat Chart—Armour & Co.
- 335—Metropolitan Insurance Company pamphlet, "Controlling Profits in Chain Meat Stores."

Exhibit No.

- 336—Beef Test Charts—Dominion Stores Limited.
337—Meat Price Charts—Butcher's & Packer's Gazette.
338—Statement of credits for merchants returned to warehouse not in good condition, during November, 1933.
339—Credits claimed by Mr. R. A. Sair in November, 1933.
340—Credits for Mr. R. A. Sair for November, 1933, for merchandise sold at reduced prices.
341—List of permanent prices changed for which credits were given to Mr. R. A. Sair.
342—Allowances for short weights from Head Office to stores—Thrift Stores, Limited.
343—General allowances for damaged goods—Thrift Stores, Limited.
342—Allowances for short weights from Head Office to stores—Thrift Stores, Limited.
345—Report of system of shrinkage allowed on bulk goods in four chain stores and one independent, together with report of overages and shortages.
346—Record of Thrift Stores Limited overages and shortages, April 29, 1933, to March 31, 1934.
347—Returns from Branch Managers of National Grocers Co. Ltd., giving wage-scale of independent retailers.
348—Sample contract between National Grocers Co. Ltd. and group retailers.
349—United States Senate Document No. 81, 72nd Congress—Table of Chain Store Prices.
350—Comparison of prices and per cents of 30 items of branded goods stocked in stores in London, Ont., 1930.
353—Statistics from the Dominion Bureau of Statistics relating to the retail price of butter in Canada and the United States.
354—Letter from Catelli Macaroni Products Corp. Ltd.
355—Brief of the Canadian Chain Store Association.
356—Shopping Record at chain stores and independent stores, September 18, 19, 20, 25 and 27, 1934—Toronto and vicinity.
357—Investigation of weights of goods purchased in independent stores in Toronto for Canadian Chain Stores Association.
358—Form of questionnaire submitted to the Textile Industry.
359—Auditors' Report, Primary Cotton Manufacturers.
360—Wage report for all sections of Textile Industry.
361—Auditors' Report on Silk Manufacturers.
362—Auditors' Report on Synthetic Silk Manufacturers.
363—Auditors' Report on Woollen Manufacturers.
364—Auditors' Report on Hosiery Manufacturers.
365—Auditors' Report on Manufacturers of Specialty Fabrics.
366—Auditors' Report on Manufacturers of Carpets and Rugs.
367—Auditors' Report on Knit Goods Manufacturers.
368—Auditors' Report on Thread and Cordage Manufacturers.
369—Report on Section 1 Textile Manufacturing Industry; concluding section of Textile Report.
370—Samples of vegetable and fruit Growers' Contracts with Canadian Cannery, Ltd.
371—Auditors' Report on Canadian Cannery, Ltd.
372—Copies of various contracts between Associated Quality Cannery Ltd. and the Growers.
373—Auditors' Report on Associated Quality Cannery Ltd.
374—Auditors' Report on King & Rankin Ltd.
375—Agreement between Canadian Cannery Ltd. and American Can Co.
376—Copy of contract, dated January 2, 1934, between American Can Co. and Canadian Cannery Ltd.
377—Copy of contract, dated March 21, 1932, between Whittall Can Co., Ltd., and Associated Quality Cannery Ltd.
378—Copy of contract, dated December 31, 1932, between American Can Co. and King & Rankin Limited.
379—Copy of contract, dated May 16, 1928, between American Can Co. and Associated Quality Cannery Limited.
380—Letters throwing light upon price changes—King & Rankin, Limited, and American Can Co.
381—Auditors' Special Report on Relationship between Canadian Manufacturers and Canning Company.
382—Auditors' General Report on Canning and Preserving Companies.
383—Tentative scheme submitted by Ontario Growers' Market Council to Dominion Marketing Board.
384—Copies of the Published Financial Statements of Canadian Cannery Ltd., 1923 to 1934 inclusive.
385—Statements on individual Baking companies.
386—Report of Milling and Baking Investigators.
387—Contract for sanitary cans dated October 25, 1930, between the American Can Co. and Crosse and Blackwell, Ltd.
388—Copy of contract for sanitary cans dated March 20, 1931, between American Can Co. and Campbell's Soups Ltd., with copies of correspondence.

Exhibit No.

- 389—Copy of contract for sanitary cans dated June 11, 1934, between American Can Co. and Libby, McNeill & Libby of Canada Ltd., with relevant correspondence.
- 390—Contract dated May 30, 1932, between American Can Co. and Fine Foods of Canada Ltd., together with supplementary documents dated May 30, November 15, 1932, and May 20, 1932.
- 391—Copy of contract between Whittall Can Company and Messrs W. Clark Ltd., 1932.
- 392—Canadian Cannery Ltd.—Inventories of manufactured goods on hand as at February 28, 1930; also 1931-1934 inclusive.
- 393—File of correspondence and notes from millers and bakers and Mr. W. J. Boulton.
- 394—Analyses of bread samples submitted by Chief Dominion Analyst.
- 395—Brief submitted by Inter-City Baking Company.
- 396—Statement of the Inventory carry-over of the Canadian Cannery Ltd. for 1934.
- 397—Canadian Cannery, Ltd. Statement showing estimated cost of packing, 1934.
- 398—Brief on behalf of Canadian Cannery Ltd.
- 399—Comparative statement of Balance Sheets and Operating Statements, Agricultural Implement Manufacturers.
- 400—Copies of contracts with Agents and lien notes: Massey-Harris Co. Ltd., Frost and Wood Co. Ltd., Cockshutt Plow Co. Ltd., and International Harvester Co. of Canada, Limited.
- 401—Statement from International Harvester Company of Canada, Limited, showing changes in selling prices and costs since 1913.
- 402—Statement from Massey-Harris Company, showing changes in selling prices and costs since 1913.
- 403—Report of Auditors on Agricultural Implement Industry.
- 404—Report of Mr. C. V. Fessenden on Canadian Furniture Industry.
- 405—Lists showing wage scale of Rubins Bros. and Fashion-Craft at Victoriaville.
- 406—Order of Minimum Wage Board of Ontario dated April 3, 1934.
- 408—Wages report for week ending January 25, 1934—Factory F8, T. Eaton Co., Ltd.
- 410—Breakdown showing cost of producing dress, T. Eaton Co., Ltd.
- 411—Wages report, T. Eaton Co., Ltd.
- 412—Report on Labour Conditions in Toronto.
- 413—Specimen of Department Budget, T. Eaton Co., Ltd.
- 414—Invoices of Rubin Bros. and advertisements of Robt. Simpson Co. Ltd.
- 416—Report of Mr. F. M. Johnson on Department Store Merchandising.
- 417—Photostats of twelve garments showing articles and related breakdown of costs, T. Eaton Co., Ltd.
- 418—Report, Mail Order offices in Ontario, T. Eaton Co., Ltd.
- 419—Statements showing mark downs, T. Eaton Co., Ltd.
- 420—Invoices and affidavits relating to the citation in the evidence: H. P. Kennedy Commission Co. and A. D. Quinn and Son.
- 421—Circular issued by Acme Farm Meat Market.
- 422—System of beef grading and marking as applied in the United States, with circulars, pamphlets and illustrations.
- 423—File of confidential correspondence submitted for the information of the Commission.
- 424—Report on Live Stock Industry with relative newspaper clipping.
- 425—Introduction to a Marketing scheme submitted to the Hon. the Minister of Agriculture, under provisions of the Marketing Act, by Saskatchewan Co-operative Live Stock Producers Ltd.
- 426—Introduction to a Marketing scheme submitted to the Hon. the Minister of Agriculture by the Co-operative poultry organizations of Manitoba, Saskatchewan and Alberta.
- 427—Marketing schemes submitted by the poultry co-operative organizations of Manitoba, Saskatchewan and Alberta.
- 428—Memorandum respecting co-operative organization.
- 429—A compilation of information on international organizations relative to certain consumers' standards.
- 430—Pay report on Miss Eleanor Hamel, January 7, 1933, to August 25, 1934.
- 431—Order of the Minimum Wage Board, Province of Quebec.
- 432—Collective Agreement between Manufacturers and Workers, Province of Quebec.
- 433—Analysis of purchases of clothing by T. Eaton Co. Ltd.
- 434—Textile Manufacturing Industry; supplementary report *re* workers' wages in certain cotton mills.
- 435—Report: Textile companies, manufacturers of shirts and overalls.
- 436—Report: Washing Machine manufacturers and Monarch Battery Manufacturing Co. Ltd.
- 437—Report: Manufacturers of ladies' ready-to-wear.
- 438—Detailed analysis of wages paid to employees of Fashion-Craft Ltd., Victoriaville, Quebec.
- 439—Bacon Grading Regulations; related ministerial orders number 1, 2 and 3; form of application for licence to export bacon.
- 440—Report on Garment Manufacturing Industry. Filed 25th February, 1935.

ANNEX III

Supplementary to Chapter III

FURTHER STATISTICS OF CORPORATIONS AND CONCENTRATION

TABLE 1

METHODS OF CONTROL IN 145 LARGEST CANADIAN CORPORATIONS DIVIDED INTO CLASSES

	Number of Com- panies	Number of Manage- ment Control	Number of Joint Manage- ment Minority	Number of Minority	Number of Majority	Number of Privately- Owned	Number of Sub- sidiaries
Foodstuffs.....	9		5	1		2	1
Rubber.....	2						2
Milling.....	13	3	4	4			2
Textiles.....	7		4	1			2
Construction.....	5	1	3				1
Beverages.....	6	4		1	1		
Iron and Steel.....	21	4	6	4	2		5
Pulp and Paper.....	13	1	6	2	1	2	1
Public Utilities.....	31	4	4	4	3		16
Merchandising.....	4	1			2	1	
Mines.....	14	6	3	3			2
Real Estate.....	2		1	1			
Oil Refining.....	7	1	1			1	4
Transportation.....	3	1	1				1
Miscellaneous.....	8		3		1	1	3
	145	26	41	21	10	7	40

TABLE 2

NUMBER AND ASSETS, BY CLASSES OF COMPANIES, OF 145 LARGEST COMPANIES WITH PERCENTAGES FOR EACH CLASS

Class of Securities	Number of Companies	Percentage of total number of Companies	Assets of Companies (thousands of dollars)	Percentage of total assets of Companies
			\$	
Foodstuffs.....	9	6.21	109,100	2.04
Rubber.....	2	1.38	34,323	0.64
Milling.....	13	8.96	143,186	2.68
Textiles.....	7	4.83	93,229	1.74
Construction.....	5	3.45	89,724	1.68
Beverages.....	6	4.14	92,381	1.73
Iron and Steel.....	21	14.48	393,264	7.35
Transportation.....	3	2.07	1,424,742	26.64
Pulp and Paper.....	13	8.96	466,194	8.72
Public Utilities.....	31	21.38	1,387,896	25.95
Merchandising.....	4	2.71	87,391	1.60
Mines.....	14	9.65	409,529	7.66
Real Estate.....	2	1.38	17,124	0.32
Oil Refining.....	7	4.38	360,805	6.74
Miscellaneous.....	8	5.50	239,786	4.41
Totals.....	145	100.0	5,348,674	100.0

TABLE 3

NUMBER AND DISTRIBUTION OF SHAREHOLDERS IN 145 LARGEST CANADIAN COMPANIES

Number of Shareholders	Subsidiaries	Private-ly Owned	Majority owned	Minority Control	Joint Minority Control	Management	Total
1— 999.....	23	6	5	9	8		51
1,000— 1,999.....	2	1	2	4	9	3	21
2,000— 2,999.....	4		1	3	5	2	15
3,000— 3,999.....	2				5	3	10
4,000— 4,999.....				1	2	2	5
5,000— 5,999.....	2		1	1	4	1	9
6,000— 6,999.....					1	1	2
7,000— 7,999.....				1	1	3	5
8,000— 8,999.....				1		1	2
9,000— 9,999.....						1	1
10,000—10,999.....							
11,000—11,999.....	1				1		2
12,000—12,999.....	1			1			2
13,000—13,999.....						1	1
14,000—14,999.....							
15,000 and over.....	2		1		2	6	11
No information.....	3				3	2	8
Total.....	40	7	10	21	41	26	145

This table gives a frequency distribution of the number of voting shareholders by groups of companies. Of the four subsidiary companies with more than eleven thousand shareholders, three are large Canadian companies which have a substantial block of their shares held by allied foreign companies, e.g. Bell Telephone, Imperial Tobacco, and Imperial Oil. The fourth company (Beauharnois Power) started out as a separate entity, and under unusual circumstances was taken over by another company.

TABLE 4

METHODS OF CONTROL IN 105 LARGEST CANADIAN CORPORATIONS¹

(Exclusive of Subsidiaries)

	Number of Companies	Percentage of total number of Companies	Assets of Companies (in thousands of dollars)	Percentage of total assets of Companies
Management control (5.99 per cent and under).....	26	24.8	2,290,058	57.5
Joint minority and management control (6 per cent to 19.99 per cent).....	41	39.0	987,609	24.9
Minority control (20 per cent to 49.99 per cent).....	21	20.0	440,978	11.1
Majority control.....	10	9.5	171,711	4.3
Privately controlled (80 per cent to 100 per cent).....	7	6.7	87,432	2.2
Total.....	105	100	3,977,788	100

This table shows the extent to which subsidiary companies increased the number of the majority and wholly owned classes. Where these are eliminated, the importance of the management and minority management classes is increased on both bases.

(1) The difference in amounts of assets between the ownership analysis and that of rates of growth is mainly accounted for by the elimination of the Canadian National railways from the former. For our purpose of ownership analysis this company—being government owned—was not important.

TABLE 5
METHODS OF CONTROL OF FOREIGN AND DOMESTIC SUBSIDIARY COMPANIES

	Number of Companies			Percent- age of total No. of Com- panies	Assets of Companies (in thousands of dollars)	Percentage of total assets of Companies
	Domestic	Foreign	Total			
Minority of stock held by parent company (20 per cent to 49.99 per cent).....	4	4	8	20	396,179	28.9
Majority of stock held by parent company (50 per cent to 79.99 per cent).....	13	5	18	45	585,198	42.7
More than 80 per cent stock held by parent company.....	5	9	14	35	389,509	28.4
	22	18	40	100	1,370,886	100

As far as this table indicates the situation, it would appear that most of the subsidiaries are better than majority controlled, though this is in part a matter of definition. It is interesting to note, however, the effect of subsidiaries upon the information given on pages 16 and 17 of the text.

TABLE 6
THE VOTING SHARE—HOLDINGS OF DIRECTORS IN 54 CORPORATIONS

Percentage of voting shares	Number of Directors
1% to 1.99% of voting stock.....	38
2% to 2.99% ".....	22
3% to 3.99% ".....	7
4% to 4.99% ".....	8
5% to 5.99% ".....	5
6% to 6.99% ".....	1
7% to 7.99% ".....	3
8% to 8.99% ".....	1
9% to 9.99% ".....	0
10% to 10.99% ".....	2
11% to 11.99% ".....	3
12% to 12.99% ".....	0
13% to 13.99% ".....	0
14% to 14.99% ".....	0
15% to 15.99% ".....	0
16% to 16.99% ".....	1
17% to 17.99% ".....	0
18% to 18.99% ".....	1
19% to 19.99% ".....	0
20% to 20.99% ".....	1
21% to 21.99% ".....	0
22% to 22.99% ".....	0
23% to 23.99% ".....	0
24% to 24.99% ".....	1
25% to 25.99% ".....	1
26% to 26.99% ".....	2
27% to 27.99% ".....	0
28% to 28.99% ".....	0
29% to 29.99% ".....	0
30% to 30.99% ".....	0
31% to 31.99% ".....	1
32% to 32.99% ".....	0
33% to 33.99% ".....	1
34% to 34.99% ".....	1
35% to 35.99% ".....	0
36% to 36.99% ".....	0
37% to 37.99% ".....	0
38% to 38.99% ".....	0
39% to 39.99% ".....	0
40% to 40.99% ".....	0
41% to 41.99% ".....	1
Total number of Directors holding 1% or more of the voting stock.....	101

This table gives a frequency distribution of directors holdings of voting stock where the director holds in the company 1 per cent or more of the total of voting stock. The list covers only 54 of the 145 outstanding corporations because in the other 91, presumably *no* director held more than 1 per cent of the voting stock of the company in which he was a director.

The names of the directors of each company were obtained from the published reports and then checked against the returned schedules.

TABLE 7

<i>Companies with one Class of Stock only</i>	
Number of Companies in which common stock only has voting rights.....	50
<i>Companies with two Classes of Stock</i>	
Number of Companies in which both common and preferred stock have voting rights.....	30
Number of Companies in which common stock has voting rights and preferred stock has none.....	30
<i>Companies with more than two Classes of Stock</i>	
Number of Companies with two or more classes of common stock (one class voting) and no preferred stock	8
Number of Companies with two or more classes of common stock (one class voting) and one non-voting class of preferred stock.....	4
Number of Companies with two classes of common stock (both classes voting) and one non-voting class of preferred stock.....	1
Number of Companies with one class of voting common stock and two or more classes of preferred stock (one class voting).....	3
Number of Companies with one class of voting common stock and two or more classes of preferred stock (both classes voting).....	2
<i>Companies with more than two Classes of Stock</i>	
Number of Companies with one class of voting common stock and two or more classes of preferred stock (all preferred classes non-voting).....	3
Number of Companies having two classes of common stock and two classes of preferred stock, all having voting rights.....	1
Number of Companies having two classes of common stock and two classes of preferred stock, one class of common stock only having voting rights.....	1

TABLE 8
PERCENTAGE AMOUNT OF CHANGE IN NET ASSETS 1923-1933
THE 1933 ASSETS OF EACH COMPANY BEING EXPRESSED AS A PERCENTAGE OF THE 1923 FIGURES¹

Group	Number of Companies	25 to 49	50 to 74	75 to 99	100 to 119	120 to 139	140 to 159	160 to 179	180 to 199	200 to 249	250 to 299	300 to 399	400 to 499	600 to 699	Changes shown in the groups of identical companies at the two dates
Transportation.....	5	.....	.....	.....	2	2	1	.....	.....	.....	.....	.....	.....	.....	20.6
Public Utilities.....	13	.....	.....	.....	.....	2	2	1	.....	.....	.....	.....	.....	.....	144.8
Miscellaneous.....	5	1	.....	.....	.....	1	.....	1	.....	.....	.....	.....	.....	.....	76.0
Iron and Steel.....	9	1	.....	3	1	1	1	1	.....	.....	.....	.....	.....	.....	27.6
Pulp and Paper.....	5	.....	.....	1	1	2	.....	.....	.....	.....	.....	.....	1	.....	109.5
Mines.....	7	.....	.....	.....	2	.....	.....	.....	2	1	.....	.....	.....	.....	45.1
Construction Materials.....	3	.....	.....	2	.....	1	.....	.....	.....	.....	.....	.....	.....	1	11.2
Milling.....	5	.....	.....	1	2	.....	1	.....	.....	1	.....	.....	.....	.....	19.2
Textiles.....	4	.....	.....	2	1	.....	.....	1	.....	.....	.....	.....	.....	.....	5.9
Merchandising.....	1	.....	.....	.....	.....	.....	.....	1	.....	.....	.....	.....	.....	.....	67.1
Rubber.....	2	.....	.....	.....	.....	.....	1	.....	.....	.....	.....	.....	.....	.....	0.3
Beverages.....	2	.....	.....	.....	1	.....	1	.....	.....	.....	.....	.....	.....	.....	24.4
Foodstuffs.....	2	.....	.....	.....	1	.....	.....	.....	.....	.....	.....	.....	.....	.....	15.3
Real Estate.....	1	.....	1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	41.3
Totals.....	63	2	2	11	10	9	7	3	6	5	3	2	2	1	30.5

¹The 500-599 group was omitted as no item fell in this group.

TABLE 9

PERCENTAGE DISTRIBUTION OF THE NET ASSETS OF THE 98 LARGEST COMPANIES, EXCLUDING THE CANADIAN NATIONAL AND THE CANADIAN PACIFIC RAILWAY COMPANIES

Class	Percentage Distribution		Cumulative Percentages	
	1923	1933	1923	1933
Net Assets				
(in millions of dollars)				
100. and up	7.8	38.4	7.8	38.4
75.0-99.9	3.7	2.1	11.5	40.5
50.0-74.9	9.1	14.2	20.6	54.7
45.0-49.9	7.3	5.1	27.9	59.8
40.0-44.9	10.4	1.1	38.3	60.9
35.0-39.9	7.4	6.2	45.7	67.1
30.0-34.9	7.7	3.6	53.4	70.7
25.0-29.9	6.7	5.3	60.2	76.0
20.0-19.9	6.6	8.2	66.8	84.2
15.0-19.9	5.8	5.7	72.6	89.9
10.0-14.9	16.1	7.3	88.7	97.2
8.0- 9.9	4.4	2.8	93.1	99.9
6.0- 7.9	5.1	Nil	98.2	99.9
Under 5.9	1.7	Nil	99.9	99.9
	100.0	100.0		

TABLE 10

NET ASSETS OF 100 LARGEST COMPANIES BY SIZE OF COMPANY

Class	Net Assets		Percentage Distribution	
	1923	1933	1923	1933
Net Assets				
(in millions of dollars)	(in thousands of dollars)			
	\$	\$		
100 and up	3,233,930	5,093,580	63.5	69.6
75.0-99.0	75,002	77,016	1.5	1.1
50.0-74.9	184,797	512,398	3.6	7.0
45.0-49.9	147,228	186,010	2.9	2.5
40.0-44.9	210,184	40,186	4.1	0.5
35.0-39.9	149,027	223,343	2.9	3.0
30.0-34.9	154,531	132,001	3.0	1.8
25.0-29.9	136,565	190,546	2.7	2.0
20.0-24.9	134,245	296,768	2.6	4.1
15.0-19.9	117,171	206,242	2.3	2.8
10.0-14.9	326,050	264,532	6.4	3.6
8.0- 9.9	88,934	101,762	1.7	1.4
6.0- 7.9	103,109	Nil	2.0	0.0
Under 5.9	34,851	Nil	0.7	0.0
Total	5,095,624	7,324,384	100.0	100.0

Table 10 provides a slightly different approach to the same range of facts, from that of the Table on pages 24-6 of the text. It keeps the same class intervals as the other Table, but gives the total of assets represented in each group instead of the number of companies. Its results are seen to be much the same, a shrinkage in the lower groups, and a very great gain in the groups containing companies with assets of 50 millions or more.

TABLE 11

QUANTITATIVE ANALYSIS OF CONSOLIDATIONS, 1900 TO 1933, INCLUSIVE

(in thousands of dollars)

Year	Issued Capital of Purchasing Company	Year	Net Assets of Companies Absorbed
1900.....	4,000	1921.....	3,000
1901.....	Nil	1922.....	Not known
1902.....	3,000	1923.....	Not known
1903.....	Nil	1924.....	47,000
1904.....	3,000	1925.....	145,000
1905.....	10,000	1926.....	33,000
1906.....	11,000	1927.....	108,000
1907.....	Nil	1928.....	302,000
1908.....	Nil	1929.....	188,000
1909.....	79,000	1930.....	86,000
1910.....	153,000	1931.....	Not known
1911.....	64,000	1932.....	Not known
1912.....	70,000	1933.....	Not known
1913.....	38,000		
1914.....	9,000		
1915.....	7,000		
1916.....	Nil		
1917.....	32,000		
1918.....	7,000		
1919.....	9,000		
1920.....	161,000		

The outstanding figure for 1920 is accounted for by two consolidations; one was the formation of the British Empire Steel Corporation, while the other was the Riordon and Kipawa merger.

TABLE 12

CONSOLIDATIONS 1921-1930 ACCORDING TO CLASS OF INDUSTRY

Class of Industry	Number of Con- solidated Companies in 1930	Number of Concerns Absorbed
Fruit and Vegetable Preparations.....	3	52
Flour and Cereals.....	4	47
Prepared Grain Foods and Confectionery.....	7	28
Liquors.....	13	61
Rubber Products.....	1	1
Tobacco.....	2	6
Fish Curing and Packing.....	2	9
Leather and Leather Products.....	1	5
Meat Products.....	1	4
Dairy Products.....	9	57
Cotton Textiles.....	3	6
Woollen Textiles.....	1	2
Silk and Silk Goods.....	1	2
Hosiery and Knit Goods.....	3	7
Garments and Personal Furnishings.....	1	3
Pulp and Paper Mills.....	9	49
Paper Goods.....	4	10
Printing, Publishing and Lithographing.....	3	17
Saw and Planing Mills.....	2	7
Castings and Forgings.....	4	17
Machinery, Boilers and Engines.....	2	9
Vehicles, Principally of Iron and Steel.....	3	5
Wire and Wire Goods.....	2	2
Sheet Metal Products.....	2	9
Hardware and Tools.....	1	1
Miscellaneous Iron and Steel Products.....	4	9
Brass and Copper Products.....	1	5
Electrical Apparatus.....	3	7
Asbestos and Asbestos Products.....	1	8
Petroleum and Petroleum Products.....	4	14
Stone Dressing, Gypsum Products, etc.....	6	46
Aerated Waters.....	2	7
Coal Tar and Its Products.....	1	6
Acids, Alkalies, Salts and Compressed Gases.....	1	7
Paints, Pigments and Varnishes.....	3	4
Dyeing, Cleaning and Laundry Work.....	3	7
Non-Ferrous Smelting and Refining.....	1	2
Clay Products.....	3	7
Chipbuilding.....	1	2
Cement.....	1	2
Commerce—Grain.....	9	49
Commerce—Amusements.....	3	13
Commerce—Miscellaneous.....	16	100

TABLE 13

CONSOLIDATIONS 1921-1930 CLASSIFIED BY INDUSTRIES AND THEIR SUBSEQUENT HISTORY

Name of Consolidation	No. of concerns absorbed 1921-1930	Net assets at date of last acquisition	Per cent of total "capital" of group at 1930 Census	Earnings History to 1934
<i>Group No. 11—Fruit and Vegetable Preparations</i>				
Total "Capital" Employed in Group, \$35,119,475				
Canada Vinegars, Ltd.....	13	\$ 1,591,000		Maintained, but below estimate.
Canadian Cannerns, Ltd.....	31	13,179,452		Satisfactory.
Whittall Can. Co., Ltd.....	8	3,243,600		Poor; deficit 1932.
<i>Group No. 12—Flour and Cereals</i>				
Total "Capital" Employed in Group, \$56,264,148				
Lake of the Woods Milling Co., Ltd....	15	9,446,000		Improving.
Maple Leaf Milling Co., Ltd.....	14	10,215,000		Reorganized 1931.
Ogilvie Flour Mills Co., Ltd.....	10	14,995,000		Diminishing.
Western Canada Flour Mills Co., Ltd..	8	6,663,000		Diminishing.
<i>Group No. 13—Prepared Grain Foods and Confectionery</i>				
Total "Capital" Employed in Group, \$106,320,263				
Blue Ribbon Corp., Ltd.....	6	2,154,193		Diminishing.
Burns & Co., Ltd.....	2	14,707,000		Reorganization 1933.
Canada Biscuit Co., Ltd.....	7	6,696,178		Reorganization 1932.
Catelli Macaroni Products.....	8	2,093,819		Deficits 1930 and 1933.
Hunts, Ltd.....	1	527,988		Deficits 1932 and 1933.
Viau Biscuit Corp., Ltd.....	2	1,676,701		Always much below estimate.
George Weston, Ltd.....	2	912,833		Deficit 1933.
<i>Group No. 14—Liquors</i>				
Total "Capital" Employed in Group, \$129,170,967				
Associated Breweries of Canada, Ltd...	4	3,254,076		Always below estimate, steadily falling.
Brewers and Distillers of Vancouver, Ltd.	3	6,224,000		Maintained to 1930; deficit in 1931.
Brewing Corp. of Can., Ltd.....	13	6,807,645		Deficits 1931, 1932, 1933.
Calgary Brewing and Malting Co., Ltd.	1	2,300,000		Not known.
Canadian Industrial Alcohol Co., Ltd...	3	14,092,000		Large up to 1929; deficits 1931, 1932, 1933.
Canadian Wineries, Ltd.....	7	1,763,000		Irregular and falling.
Coas. Breweries.....	4	1,919,651		Steadily falling.
Distillers Corp.—Seagrams, Ltd.....	2	19,509,851		Irregular.
Dom. Distillers Consolidated, Ltd.....	2	1,520,611		Failed in 1930.
Hiram Walker-Gooderham & Worts, Ltd.	2	22,949,904		Dropped sharply 1931/33.
National Breweries, Ltd.....	13	12,054,000		Large and maintained.
National Distillers, Ltd.....	2	1,633,000		Liquidated 1931.
Western Breweries, Ltd.....	5	3,204,419		Negligible; deficits 1931/33.
<i>Group No. 15—Rubber Products</i>				
Total "Capital" Employed in Group, \$69,164,512				
Goodyear Tire & Rubber Goods Co., Ltd.	1	11,588,026		Large to 1929; irregular since.
<i>Group No. 18—Tobacco</i>				
Total "Capital" Employed in Group, \$51,376,115				
Imperial Tobacco Co. of Can., Ltd.....	5	35,286,053		Large and steadily increasing.
H. Simon & Sons, Ltd.....	1	946,000		Drop in 1930; deficit 1932.

TABLE 13

CONSOLIDATIONS 1921-1930 CLASSIFIED BY INDUSTRIES AND THEIR
SUBSEQUENT HISTORY—*Continued*

Name of Consolidation	No. of concerns absorbed 1921-1930	Net assets at date of last acquisition	Per cent of total "capital" of group at 1930 Census	Earnings History to 1934
<i>Group No. 20—Fish Curing and Packing</i> <i>Total "Capital" Employed in Group,</i> <i>\$30,827,607</i>		\$		
Anglo-Norwegian Holdings, Ltd.....	3	3,174,537		Good to 1930; poor since.
British Columbia Packers, Ltd.....	6	8,316,000		Maximum 1%; deficits 1931/34.
<i>Group No. 22—Leather and Leather Products (Boots and Shoes)</i> <i>Total "Capital" Employed in Group,</i> <i>\$28,162,582</i>				
Agnew-Surpass Shoe Stores, Ltd.....	5	1,471,000		Irregular but fairly good.
<i>Group No. 23—Meat Products</i> <i>Total "Capital" Employed in Group,</i> <i>\$62,003,021</i>				
Canada Packers, Ltd.....	4	17,893,809		Very fair; drop since 1930.
<i>Group No. 24—Dairy Products</i> <i>Total "Capital" Employed in Group,</i> <i>\$58,588,836</i>				
Bordens Ltd.....	19	Not known		Not known.
Caulder's Creameries, Ltd.....	2	1,400,000		Not known.
Consolidated Creameries Ltd.....	6	Not known		Not known.
Dairy Corp., Ltd.....	10	4,748,000		Good to 1931; deficit 1932.
Eastern Dairies Ltd.....	10	7,493,000		Irregular.
Highland Dairy Ltd.....	2	Not known		Not known.
Mount Royal Dairy Stores Inc.....	2	191,520		Liquidation 1930.
Silverwood's Dairies, Ltd.....	3	4,888,622		Fair but irregular.
United Dairies Ltd.....	3	1,837,500		Poor and diminishing.
<i>Group No. 31—Cotton Textiles</i> <i>Total "Capital" Employed in Group,</i> <i>\$84,923,755</i>				
Cosmos Imperial Mills, Ltd.....	3	3,670,000		Irregular and poor.
Dominion Textile Co., Ltd.....	2	32,639,000		Steady but poor.
Hamilton Cotton Co., Ltd.....	1	2,485,000		Poor and diminishing.
<i>Group No. 32—Woollen Textiles</i> <i>Total "Capital" Employed in Group,</i> <i>\$35,852,951</i>				
Dominion Woollens and Worsted Ltd..	2	6,054,476		Unsatisfactory—deficits 1931 and 1933.
<i>Group No. 34—Silk and Silk Goods</i> <i>Total "Capital" Employed in Group,</i> <i>\$30,506,060</i>				
Belding-Corticelli, Ltd.....	2	1,971,000		Good and fairly well maintained.
<i>Group No. 35—Hosiery and Knit Goods</i> <i>Total "Capital" Employed in Group,</i> <i>\$65,047,351</i>				
Mercury Mills, Ltd.....	1	4,391,000		5% in 1929; deficits 1930 and 1932.
J. R. Moodie Co., Ltd.....	4	1,972,000		Not known.
Zimmerknit Co., Ltd.....	2	2,531,000		Reorganized 1930.

TABLE 13

CONSOLIDATIONS 1921-1930 CLASSIFIED BY INDUSTRIES AND THEIR
SUBSEQUENT HISTORY—*Continued*

Name of Consolidation	No. of concerns absorbed 1921-1930	Net assets at date of last acquisition	Per cent of total "capital" of group at 1930 Census	Earnings History to 1934
<i>Group No. 37—Garments and Personal Furnishings</i> <i>Total "Capital" Employed in Group,</i> <i>\$17,597,012</i>		\$		
Tooke Bros., Ltd.....	3	2,103,000		Poor, deficits 1931 and 1933.
<i>Group No. 40—Pulp and Paper Mills</i> <i>Total "Capital" Employed in Group,</i> <i>\$714,437,104</i>				
Abitibi Power & Paper Co.....	13	158,849,000		Receivership 1932.
Canada Power and Paper Corp.....	13	168,251,000		Reorganized 1931.
Fraser Companies, Ltd.....	1	15,667,772		Huge deficits 1930 and 1932.
Hinde and Dauch Paper Co. of Canada, Ltd.	1	5,000,613		Very poor; highly irregular.
Howard Smith Paper Mills, Ltd.....	9	15,236,000		Poor; irregular.
International Paper and Power Co.....	4	287,560,000		Very large and increasing.
Northern Paperboard Co., Ltd.....	3	Not known		Not known.
Price Bros. & Co., Ltd.....	2	70,192,000		1933 receivership.
St. Lawrence Corp., Ltd.....	3	56,639,000		Not known.
<i>Group No. 41—Paper Goods</i> <i>Total "Capital" Employed in Group,</i> <i>\$27,014,819</i>				
Brantford Roofing Co., Ltd.....	2	924,000		Irregular and poor.
Building Products, Ltd.....	3	2,211,000		Good to 1931; sharp drop since.
Canadian Wirebound Boxes, Ltd.....	3	2,388,255		Good to 1929; continuous decline since.
Firstbrook Boxes, Ltd.....	2	1,286,500		Good to 1927; poor since; deficit 1932.
<i>Group No. 42—Printing, Publishing and Lithographing</i> <i>Total "Capital" Employed in Group,</i> <i>\$115,504,126</i>				
Moore Corp., Ltd.....	9	9,193,000		Good 1929; falling since.
Photo Engravers & Electrotypers, Ltd.	4	647,019		Good but falling 1932 on.
Willson Stationers and Envelopes, Ltd.	4	1,057,777		Heavy deficits 1932 and 1933.
<i>Group No. 43—Saw and Planing Mills</i> <i>Total "Capital" Employed in Group,</i> <i>\$230,450,054</i>				
Clarke, Howe, Waters & Knight Bros., Ltd.	4	953,187		Fair.
Cushing Mills, Ltd.....	3	582,715		Not known.
<i>Group No. 51—Castings and Forgings</i> <i>Total "Capital" Employed in Group,</i> <i>\$100,318,189</i>				
Enamel and Heating Products, Ltd....	3	1,218,000		Poor 1930; deficits 1931 to 1933.
General Steel Wares, Ltd.....	8	15,098,000		Fair to 1929; poor since.
Page-Hersey Tubes, Ltd.....	1	7,532,000		Excellent to 1931; fair since.
Robert Mitchell Co., Ltd.....	5	1,570,000		Fair to 1930; deficits 1932 and 1933.
<i>Group No. 52—Machinery, Boilers and Engines</i> <i>Total "Capital" Employed in Group,</i> <i>\$69,454,103</i>				
W. D. Beath & Sons, Ltd.....	3	1,260,561		Good 1929; negligible since.
Service Stations, Ltd.....	6	14,094,273		Irregular; heavy deficits 1932 and 1933.

TABLE 13

CONSOLIDATIONS 1921-1930 CLASSIFIED BY INDUSTRIES AND THEIR
SUBSEQUENT HISTORY—*Continued*

Name of Consolidation	No. of concerns absorbed 1921-1930	Net assets at date of last acquisition	Per cent of total "capital" of group at 1930 Census	Earnings History to 1934
<i>Group No. 53—Vehicles, Principally of Iron and Steel</i> <i>Total "Capital" Employed in Group,</i> <i>\$90,671,678</i>		\$		
Gotfredson Corp., Ltd.....	2	2,176,040		1928—Receivership.
Hayes Wheels & Forgings, Ltd.....	2	1,936,835		Good to 1929; deficits 1930 to 1933.
Russell Motor Car Co., Ltd.....	1	2,520,038		Poor and irregular.
<i>Group No. 56—Wire and Wire Goods</i> <i>Total "Capital" Employed in Group,</i> <i>\$34,944,992</i>				
Canadian Wire & Cable Co., Ltd.....	1	5,627,052		Steadily falling; deficit 1932.
Frost Steel and Wire Co., Ltd.....	1	1,397,086		Good to 1930; deficits 1932 and 1933.
<i>Group No. 57—Sheet Metal Products</i> <i>Total "Capital" Employed in Group,</i> <i>\$53,368,130</i>				
Corporate Steel Products, Ltd.....	7	4,442,790		1932—Receivership.
Eastern Steel Products, Ltd.....	2	1,118,757		Fair to 1930; deficit 1932.
<i>Group No. 58—Hardware and Tools</i> <i>Total "Capital" Employed in Group,</i> <i>\$32,359,387</i>				
Starr Manufacturing Co., Ltd.....	1	Not known		Not known.
<i>Group No. 59—Miscellaneous Iron and Steel Products</i> <i>Total "Capital" Employed in Group,</i> <i>\$40,661,817</i>				
Canadian Vickers, Ltd.....	2	6,974,000		Poor; deficits 1933 and 1934.
Dominion Bridge Co., Ltd.....	5	21,295,000		Fair, but falling rapidly since 1931.
Hamilton Bridge Co., Ltd.....	1	4,563,678		Fair to 1930; deficits 1932 and 1933.
Vulcan Engineering Works, Ltd.....	1	Not known		1933—Bankrupt.
<i>Group No. 62—Brass and Copper Products</i> <i>Total "Capital" Employed in Group,</i> <i>\$26,820,527</i>				
Canadian Bronze Co., Ltd.....	5	1,606,000		Good; falling off in 1932.
<i>Group No. 65—Electrical Apparatus</i> <i>Total "Capital" Employed in Group,</i> <i>\$102,979,896</i>				
Amalgamated Electric Corp., Ltd.....	4	1,317,684		Very poor; deficits 1931 to 1933.
English Electric Co., of Can., Ltd.....	2	2,614,424		Very irregular.
Rogers-Majestic Corp., Ltd.....	1	2,161,000		Good to 1932; heavy deficit 1933.
<i>Group No. 70—Asbestos and Products</i> <i>Total "Capital" Employed in Group,</i> <i>\$37,414,517</i>				
Asbestos Corp., Ltd.....	8	23,067,104		Reorganized 1932; deficits continue.
<i>Group No. 75—Petroleum and Products</i> <i>Total "Capital" Employed in Group,</i> <i>\$133,634,625</i>				
Crown-Dominion Oil Co., Ltd.....	5	620,014		Negligible; deficit 1933.
Imperial Oil, Ltd.....	6	193,442,000		Good and fairly maintained.
McColl-Frontenac Oil Co., Ltd.....	2	9,495,000		Very good.
Supertest Petroleum Corp.....		628,793		Very good.

TABLE 13

CONSOLIDATIONS 1921-1930 CLASSIFIED BY INDUSTRIES AND THEIR
SUBSEQUENT HISTORY—Continued

Name of Consolidation	No. of concerns absorbed 1921-1930	Net assets at date of last acquisition	Per cent of total "capital" of group at 1930 Census	Earnings History to 1934
\$				
<i>Group No. 76—Stone Dressing, Gypsum Products, Artificial Abrasives and Cement Products</i> <i>Total "Capital" Employed in Group, \$22,536,991</i>				
Canada Paving & Supply Co., Ltd....	14	3,244,991		1932—voluntary assignment.
Consolidated Oka Sand & Gravel Co., Ltd.	2	1,767,507		Fair to 1929; deficit 1933.
Dufferin Paving & Crushed Stone, Ltd.	7	3,609,993		Fair to 1930; nil 1932.
Foundation Company of Canada, Ltd..	2	510,000		Excellent, but falling since 1931.
Gypsum, Lime & Alabastine, Ltd.....	12	11,012,000		Fair to 1930; deficit 1932.
Standard Paving & Materials, Ltd.....	9	3,232,259		Fair to 1931; deficit 1933.
<i>Group No. 78—Aerated Waters</i> <i>Total "Capital" Employed in Group, \$14,934,798</i>				
Orange Crush, Ltd.....	5	1,130,000		Good to 1930; deficit 1933.
Sussex Ginger Ale, Ltd.....	2	225,719		Good to 1930; deficits 1932 and 1933.
<i>Group No. 80—Coal Tar and Its Products</i> <i>Total "Capital" Employed in Group, \$89,987,235</i>				
Dominion Tar & Chemical Co., Ltd....	6	13,300,000		Good to 1930; falling rapidly since.
<i>Group No. 81—Acids, Alkalies, Salts and Compressed Gases</i> <i>Total "Capital" Employed in Group, \$52,314,567</i>				
Canadian Industries, Ltd.....	7	22,968,000		Not known.
<i>Group No. 85—Paints, Pigments and Varnishes</i> <i>Total "Capital" Employed in Group, \$26,212,828</i>				
Brandram-Henderson, Ltd.....	1	3,585,000		Poor; deficits 1931 to 1933.
International Paints (Canada), Ltd.....	2	980,000		Good to 1930; deficits 1932-1933
Sherwin-Williams Co. of Can., Ltd.....	1	12,779,000		Fair to 1930; deficits 1932-1933.
<i>Group No. G70—Dyeing, Cleaning and Laundry Work</i> <i>Total "Capital" Employed in Group, \$28,351,092</i>				
Pantorium Dye Works of Can., Ltd....	2	235,564		Good to 1931; deficit 1933.
Premium Laundry, Ltd.....	2	181,710		Good to 1929; deficits 1932 and 1933.
Snowflake Laundry & Dry Cleaners, Ltd.	3	227,500		Not known.
<i>Group No. C170—Non-Ferrous Smelting and Refining</i> <i>Total "Capital" Employed in Group, \$175,010,686</i>				
International Nickel Co. of Can., Ltd...	2	171,441,000		Fair but irregular.
<i>Group No. C30—Clay Products</i> <i>Total "Capital" Employed in Group, \$33,430,777</i>				
The Cooksville Co., Ltd.....	2	2,760,000		Fair to 1929; deficits 1932 and 1933.
National Brick Co. of Laprairie, Ltd...	1	5,451,000		Poor but maintained.
National Sewer Pipe Co., Ltd.....	4	2,295,010		Fair to 1931; deficit 1933.

TABLE 13

CONSOLIDATIONS 1921-1930 CLASSIFIED BY INDUSTRIES AND THEIR
SUBSEQUENT HISTORY—*Concluded*¹

Name of Consolidation	No. of concerns absorbed 1921-1930	Net assets at date of last acquisition	Per cent of total "capital" of group at 1930 Census	Earnings History to 1934
\$				
<i>Group No. F300—Shipbuilding</i> <i>Total "Capital" Employed in Group,</i> <i>\$31,597,501</i>				
Collingwood Shipyards, Ltd.....	2	4,056,000	.....	Very poor.
<i>Group No. C319—Cement</i> <i>Total "Capital" Employed in Group,</i> <i>\$59,210,737</i>				
Canada Cement Co., Ltd.....	2	50,052,000	.....	Fair but declining since 1931.
<i>Commerce—Grain</i>				
Alberta Pacific Grain Co., Ltd.....	1	10,364,000	.....	Poor and declining.
N. Bawlf Grain Co., Ltd.....	1	3,989,000	.....	Fair to 1930; negligible since.
Canadian Terminal System, Ltd.....	21	17,254,000	.....	Reorganization 1931.
Federal Grain, Ltd.....	10	9,250,000	.....	Poor; one-fifth of estimated.
Midland & Pacific Grain Corp., Ltd....	3	1,225,842	.....	Good; Fall in 1933.
Phoenix Elevator Co., Ltd.....	2	.....	.....	Reorganization 1930.
Toronto Elevators, Ltd.....	1	1,693,664	.....	Good but much below estimate.
Reliance Grain Co., Ltd.....	3	4,346,000	.....	Good to 1929; steady decline since.
Western Grain Co., Ltd.....	7	5,827,514	.....	Poor but irregular.
<i>Commerce—Amusement</i>				
Consolidated Theatres, Ltd.....	3	917,000	.....	Very poor; deficits 1932 and 1933.
Famous Players Canadian Corp., Ltd..	8	22,329,760	.....	Fair; irregular
United Amusement Corp., Ltd.....	2	2,661,000	.....	Good to 1932.
<i>Commerce—Miscellaneous</i>				
Claude Neon Gen. Advertising, Ltd....	7	8,170,696	.....	Fair to 1931; deficit 1933.
Consolidated Food Products, Ltd.....	6	4,000,000	.....	Very poor; deficits 1930 and 1931.
T. Eaton Co., Ltd.....	21	8,672,000	.....	Not known.
Evans, Coleman & Gilley Bros., Ltd...	2	1,625,493	.....	Not known.
Gordon & Belyea, Ltd.....	1	447,842	.....	Fair.
Irving Oil Co., Ltd.....	3	607,749	.....	Excellent.
Johnston National Storage, Ltd.....	2	460,000	.....	Good to 1929; deficit 1933.
McLennan, McFeely & Prior, Ltd.....	2	2,123,346	.....	Fair and Steady.
National Grocers, Ltd.....	27	5,275,000	.....	Very fair and steady.
Standard Fuel Co., Ltd.....	4	1,784,036	.....	Fair.
Thayers, Ltd.....	5	550,050	.....	Not known.
Thrift Stores, Ltd.....	2	430,000	.....	Excellent; beyond estimate.
Transcontinental Storage & Distributing Co., Ltd.	7	Not known	.....	Not known.
Vancouver Western Drug Co., Ltd.....	2	833,606	.....	Poor.
Wentworth Radio & Auto Supply Co., Ltd.	2	403,509	.....	Good to 1930; Deficits 1931 to 1933.
Western Grocers, Ltd.....	7	2,588,000	.....	Poor; deficit 1932.

¹ Group numbers in this table are from the Dominion Bureau of Statistics original classification.

TABLE 14

HISTORIES OF CERTAIN CONSOLIDATIONS OF THE PERIOD 1900-1920

Name of Consolidation	Year Formed	Issued Capital at Inception	Subsequent History
		\$	
Amalgamated Asbestos Corpn.....	1909	18,000,000	Profits: 1910—\$517,969; 1911 (7 months) \$195,424; 1912—Reorganization. Assets sold to new company with capitalization of \$10,000,000.
Black Lake Consolidated Asbestos Corpn., Ltd.	1909	5,230,500	Profits: 1911 (15 months) \$168,000. 1912—Reorganized with contributions from security holders. Up to 1920 part interest paid on bonds, no dividends on preferred or common shares.
Canadian Cereal & Milling Co., Ltd..	1910	3,250,000	1912—Reorganized with capitalization of \$1,500,000. 1915—Again reorganized. Sold to new company with capitalization of \$800,000. 1920—Receiver appointed.
Canada Machinery Corporation, Ltd.	1910	1,962,100	1912—Reorganized. Preferred stock replaced by common. 1915—Bonds replaced in part by preferred shares.
City Dairy Co., Ltd.....	1910	1,265,000	1913—Common Stock reduced \$282,500. No dividend on common stock since 1916 up to 1920.
British Columbia Fisheries, Ltd.....			1913—Receiver appointed.
Spanish River Pulp & Paper Co., Ltd.	1912	9,250,000	1914—Bondholders asked to sanction modifications of their rights.
Canada Furniture Manufacturers, Ltd.	1900		1914—Reorganized—Preferred and common share capital reduced.
Standard Chemical Co. Ltd.....	1911	6,000,000	1914—"On the verge of liquidation"—No preferred dividends.
Dominion Explosives, Ltd.....	1910	3,370,000	Assets sold by sheriff prior to 1921.
Nova Scotia Clay Works, Ltd.....	1912	600,000	1915—ceased operating plants.
American Sales Book Co., Ltd.....	1911	6,646,600	1915—common capital reduced by 80%.
Canadian Coal & Coke Co., Ltd.....	1910	18,750,580	1914—Deficit for 7 months was \$73,270.06. Bonds replaced by preferred shares. 1915—Deficit \$86,668.42. Sold to new company with share capital of \$1,000,000.
British Columbia Breweries Ltd.....	1912	5,750,000	1916—Receiver appointed. 1919—Sold to new company with capitalization of \$2,906,000.
Steel and Radiator, Ltd.....	1910	1,648,500	1921—Liquidated.
United Cigar Stores, Ltd.....	1915	3,380,000	1921—Efforts made to finance and reorganize the company which was in a critical condition.
Canadian Pacific Lumber Co., Ltd...	1911	3,750,000	1921—wound up by the court.
Riordon Co., Ltd.....	1920	58,901,000	Profits: 1918, \$886,565; 1919, \$1,135,161; 1920, \$3,684,588. 1921—Protective Committee formed; trustee in bankruptcy appointed.
Ames Holden McCready, Ltd.....	1919	8,000,000	1925—Reorganized and capital reduced.
Belding-Corticelli, Ltd.....	1911	2,350,000	1912—Profits available for common shares \$6,366 as against \$97,000 estimated. Preferred dividends deferred from Sept. 1913 to the end of 1917.

TABLE 14—*Concluded*HISTORIES OF CERTAIN CONSOLIDATIONS OF THE PERIOD 1900-1920—*Concl.*

Name of Consolidation	Year Formed	Issued Capital at Inception	Subsequent History
		\$	
Canada Cement Co., Ltd.....	1909	30,256,966	1910—Estimated earnings \$1,900,000; actual \$1,012,698. 1911—Estimated earnings on common stock \$765,000; actual, \$142,697.84. No dividend until 1916 on common stock.
Canadian Car & Foundry Co., Ltd....	1909	13,475,000	1910—Estimated earnings \$1,500,000. Actual earnings 1910 (11 months) \$832,530. 1911—\$1,007,137. Nothing paid on common 1914-1920.
Canadian Converters Co., Ltd.....	1906	2,268,500	Dividends passed for some time prior to 1912. Since then up to 1920 irregular.
Carriage Factories, Ltd.....	1909	2,900,000	1910—Surplus for common shares of \$38,465. 1915—Preferred dividend discontinued. 1919—Loss \$88,926. 1920—Loss \$92,952.
Cockshutt Plow Co., Ltd.....	1911	10,000,000	1920—Arrears on preferred stock amounted to 26 $\frac{1}{2}$ %. No dividends paid on common up to 1920.
Dominion Cannery, Ltd.....	1910	5,700,000	1911—Net earnings estimated at \$400,000. Actual earnings \$362,870. Six per cent paid on common stock up to March, 1914, but none since up to 1920.
Goodwins Ltd.....			No dividends on common stock up to 1920. Preferred dividends passed since July, 1914, up to 1920.
Ontario Steel Products, Ltd.....	1913	2,100,000	No dividend on common stock up to August, 1920.
Sherwin-Williams Co. of Canada, Ltd.	1911	9,450,000	No dividend declared on common stock up to 1920.

TABLE 15
CANADIAN COMPANIES REFINANCED

1926-1930 (Inclusive)

Date and Case No.	Name of New Company	Incorporated under Statutes of	Name of Predecessor Company and Date of its Incorporation
1926			
1	Acadia Sugar Refining Co., Ltd.....	N.S.	Acadia Sugar Refining Co., Ltd.....1893
2	Alberta Pacific Grain Co., Ltd.....	Dom.	Alberta Pacific Grain Co., Ltd.....1912
3	Cosmos Imperial Mills, Ltd.....	Dom.	Cosmos Imperial Mills, Ltd.....1924
4	Gosse Packing Co., Ltd.....	B.C.	Gosse-Miller Ltd.....1858
5	Hiram Walkers, Ltd.....	Dom.	Hiram Walker & Sons, Ltd.....1858
6	Laura Secord Candy Shops, Ltd.....	Dom.	Laura Secord Confections, Ltd.....1913
7	Page-Hersey Tubes, Ltd.....	Dom.	Page-Hersey Tubes, Ltd.....1902
1927			
8	Asch Limited.....	Dom.	Asch, Limited.....1911
9	Associated Beverages, Ltd.....	Ont.	Associated Beverages, Ltd.....1927
10	British American Brewing Co., Ltd.....	Dom.	British American Brewing Co., Ltd.....1882
11	Canada Cement Co., Ltd.....	Dom.	Canada Cement Co., Ltd.....1909
12	Canada Malting Co., Ltd.....	Dom.	Canada Malting Co., Ltd.....1905
13	Canada Dredge & Dock Co., Ltd.....	Dom.	Canadian Dredging Co., Ltd.....1906
14	Carling Breweries, Ltd.....	Dom.	Carling Export Brewing & Malting.....1840
15	Conduits Co., Ltd.....	Ont.	Conduits Company, Ltd.....1900
16	Evangeline Shops, Ltd.....	Ont.	Heywood, McMillan & Co.....1926
17	Holsum Packing Co., Ltd.....		Holsum Products Co., Ltd.....
18	Malagash Salt Products Co., Ltd.....	N.S.	Malagash Salt Products Co., Ltd.....1924
19	Northern Bakeries of Canada.....	Dom.	Northern Bakeries, Ltd.....1925
20	Orange Crush, Ltd.....	Ont.	Orange Crush, Ltd.....
21	Pelissier's, Ltd.....	Dom.	Pelissier's Ltd.....
22	Provincial Paper, Ltd.....	Ont.	Provincial Paper Mills, Ltd.....1909
23	Quebec Southern Power Corp.....		Southern Quebec Power Corp.....1925
24	Service Station Equip. Co., Ltd.....	Dom.	Clear Vision Pump Co.....1928
25	Sleeman's Spring Brook Brewing Co., Ltd.....	Dom.	Spring Brook Brewery.....1850
1927			
26	Sobie Silk Shops, Ltd.....	Dom.	Sobie Silk Shops, Ltd.....1917
27	Stanford's Ltd.....	Dom.	Stanford's Ltd.....1905
1928			
28	Bathurst Power & Paper Co., Ltd.....	Dom.	Bathurst Co., Ltd.....1907
29	N. Bawlf Grain Co., Ltd.....	Dom.	N. Bawlf Grain Co., Ltd.....1909
30	British Columbia Power Corp., Ltd.....	Dom.	Br. Col. Electric Ry. Co., Ltd.....
31	Burns & Co., Ltd.....	Dom.	P. Burns & Co., Ltd.....1890
32	Canada Vinegars, Ltd.....	Dom.	Canada Vinegars, Ltd.....1925
33	Corrugated Paper Box Co., Ltd.....	Dom.	Corrugated Paper Box Co., Ltd.....1913
34	Curtiss-Reid Aircraft Co., Ltd.....	Dom.	Reid Aircraft Co., Ltd.....
35	David & Frere, Ltd.....	Que.	David & Frere, Co.....1905
36	De Forest Crosley Radio Co., Ltd.....	Dom.	De Forest Radio Corp., Ltd.....1923
37	Donnacona Paper Co., Ltd.....	Que.	Donnacona Paper Co., Ltd.....1914
38	Eau Claire Saw Mills, Ltd.....	Dom.	Eau Claire Bon River Lumber Co.....
39	George Weston, Ltd.....	Dom.	George Weston, Ltd.....1910
40	Great West Saddlery Co., Ltd.....	Dom.	Great West Saddlery Co., Ltd.....1899
41	Hamilton Bridge Co., Ltd.....	Dom.	Hamilton Bridge Works Co., Ltd.....1895
42	Hamilton Cotton Co., Ltd.....	Dom.	Hamilton Cotton Co., Ltd.....1918
43	Hamilton Leather Goods Co., Ltd.....	Ont.	Hamilton Leather Goods Co., Ltd.....1899
44	Honey Dew, Ltd.....	Ont.	Honey Dew, Ltd.....1916
45	Howard Smith Paper Mills, Ltd.....	Dom.	Howard Smith Paper Mills, Ltd.....1912
46	Howe Lumber Co., Ltd.....	Que.	Howe Lumber Co., Ltd.....1923
47	International Paints (Can.), Ltd.....	Dom.	International Paints (Canada), Ltd.....1924
48	C. W. Lindsay & Co.....	Que.	C. W. Lindsay, Ltd.....1902
49	McKinnon Steel Corp., Ltd.....	Dom.	McKinnon Steel Co., Ltd.....1909
50	M. & P. Stores, Ltd.....	Dom.	M. & P. Stores, Ltd.....1914
51	Medicine Hat Greenhouses, Ltd.....	Dom.	Rosary Flower Co.....1909
52	Melchers Distilleries, Ltd.....	Que.	Melchers Distillery Co., Ltd.....
53	National Hosiery Mills, Ltd.....	Ont.	Real Silk Hosiery Mills of Canada, Ltd.....1925
54	Ontario Silknit, Ltd.....	Dom.	Ontario Silknit, Ltd.....1922
55	Regent Knitting Mills, Ltd.....	Que.	Regent Knitting Mills, Ltd.....1907
56	Restigouche Co., Ltd.....	Que.	Stetson, Cutler & Co.....
57	Robinson Consolidated Cone Co., Ltd.....	Dom.	Robinson & Sons, Ltd.....

TABLE 15
CANADIAN COMPANIES REFINANCED—*Concluded*
1926-1930 (inclusive)

Date and Case No.	Name of New Company	Incorporated under Statutes of	Name of Predecessor Company and Date of its Incorporation
1928			
58	Rolland Paper Co., Ltd.....	Dom.	Rolland Paper Co., Ltd.....1882
59	St. Lawrence Paper Mills Co., Ltd.....	Dom.	St. Lawrence Paper Mills, Ltd.....1922
60	Sarnia Bridge Co., Ltd.....	Dom.	Sarnia Bridge Co., Ltd.....1907
61	H. Simon & Sons, Ltd.....	Dom.	H. Simon & Sons, Ltd.....1909
62	Standard Steel Construction Co., Ltd.....	Ont.	Standard Steel Construction Co., Ltd.....1912
63	G. Tambllyn, Ltd.....	Dom.	G. Tambllyn, Ltd.....1904
64	Tip Top Tailors, Ltd.....	Dom.	Berger Tailoring Co., Ltd.....1910
65	United Press, Ltd.....	Ont.	United Press, Ltd.....1922
66	Waterloo Manufacturing Co., Ltd.....	Dom.	Waterloo Manufacturing Co., Ltd.....1850
67	Western Steel Products, Ltd.....	Dom.	Western Steel Products, Ltd.....1920
1929			
68	Acme Glove Works, Ltd.....		Acme Glove Works, Ltd.....1912
69	W. D. Beath & Son, Ltd.....	Ont.	W. D. Beath & Sons, Ltd.....1904
70	Biltmore Hats, Ltd.....	Dom.	Biltmore Hats, Ltd.....1917
71	Consolidated Press, Ltd.....	Dom.	Consolidated Press, Ltd.....1899
72	De Haviland Aircraft of Canada, Ltd.....	Ont.	De Haviland Aircraft of Canada, Ltd.....1923
73	Dodge Manufacturing Co., Ltd.....	Ont.	Dodge Mfg. Co. of Canada.....1886
74	Electric Elevator and Grain Co., Ltd.....	Ont.	Bole Grain Co. (and elevator).....
75	Guelph Carpet and Worsted Spinning Mills, Ltd.....	Dom.	Guelph Carpet and Worsted Spinning Mills, Ltd.....1927
76	Jones Bros. of Canada, Ltd.....	Dom.	Jones Bros. of Canada, Ltd.....1926
77	Langley Co., Ltd.....	Ont.	Langley's Ltd.....
78	Medalta Potteries, Ltd.....	Dom.	Medalta Potteries, Ltd.....1917
79	Ness Products of Western Canada, Ltd.....	Dom.	Neon Products of Western Canada, Ltd.....1918
80	Niagara Wire Weaving Co., Ltd.....	Ont.	Niagara Wire Weaving Co., Ltd.....1919
81	Prairie Cities Oil Co., Ltd.....	Sask.	Prairie City Oil Co., Ltd.....1904
82	Sarnia Distilleries, Ltd.....	Dom.	Sarnia Wine & Cognac Co., Ltd.....1923
83	Scythes & Co., Ltd.....	Dom.	Scythes & Co., Ltd.....1910
84	Service Coal Corp.....	Que.	P. E. Monegeau, Ltd.....
85	Simpson's, Ltd.....	Dom.	Simpson's, Ltd.....1925
1930			
86	Viceroy Manufacturing Co., Ltd.....	Dom.	Canadian I.T.S. Rubber Co., Ltd...1920
87	Vulcan Engineering Works, Ltd.....	B.C.	Vulcan Iron Works, Ltd.....1907
88	West Canadian Hydro Elec. Corp., Ltd.....		West Canadian Hydro Elec. Corp., Ltd.....

TABLE 16
REFINANCING OF CANADIAN COMPANIES 1926-1933 (INCLUSIVE)

Case No.	Net Assets of New Company	Securities Sold to Public							Common	
		Bonds		Preferred			Class "A"			
		Total	Amount	Per Cent	Amount	Division per Share	Division per Class "A" Share	Amount		V. or N.V.
1926	\$	\$	\$		\$	\$	\$	\$	\$	
	1.....	4,970,000	2,500,000		2,500,000	6				
	2.....	8,717,285	3,000,000		3,000,000		7.00			
	3.....	3,404,882	1,500,000		(V) 1,500,000		7.00			
	4.....	1,957,731	1,500,000		1,500,000		7.00			
	5.....	18,000,000	4,000,000						4,000,000	
	6.....	904,463	750,000		750,000		7.00			
7.....	7,123,064	2,000,000	6	2,000,000						
	45,077,425	15,250,000		4,500,000			6,750,000		4,000,000	
1927										
	8.....	1,116,422	518,750				7.00		18,750	
	9.....	150,000	150,000				7.00			
	10.....	1,980,000								
	11.....	47,043,899	41,000,000		20,000,000	5½		2.50	1,320,000	
	12.....	4,789,926	2,500,000		21,000,000		6.50			
	13.....	2,807,699	1,500,000						(V) 2,500,000	
	14.....	1,809,028	2,700,000		1,500,000		7.00			
	15.....	381,119	250,000		250,000		7.00			
	16.....	184,530	150,000		150,000		7.00			
	17.....	23,011	20,000		20,000		7.00			
	18.....	763,544	500,000	6½	500,000					
	19.....	5,045,636	4,050,000						4,050,000	
	20.....	1,130,000	650,000							
	21.....	563,080	450,000							
	22.....	10,254,764	8,800,000	5½	5,300,000					
	23.....	4,329,785	1,512,500					1.60	927,500	
	24.....	756,396	927,500							
	25.....	381,000	380,000							
	26.....		125,000					1.75		
	27.....	716,933	500,000							
		83,770,772	68,663,750		25,800,000			28,795,000	2,247,500	11,821,250

TABLE 16
REFINANCING OF CANADIAN COMPANIES 1926-1933 (INCLUSIVE)—*Concluded*

Case No.	Net Assets of New Company	Securities Sold to Public					
		Bonds		Preferred		Class "A"	
		Total	Amount	Per Cent	Amount	Division per Share	Amount
	\$	\$	\$		\$	\$	\$
1928							
28.....	24,000,000	16,000,000					
29.....	3,542,409	2,000,000					
30.....	107,151,000	60,000,000			6.50		16,000,000 N.V.
31.....	15,723,077	13,900,000	5½				60,000,000 N.V.
32.....	1,299,458	2,438,000			6.00		
33.....	747,932	1,650,000					
34.....	1,550,000	1,275,000			7.00		2,438,000
35.....	850,000	805,000					
36.....	260,825	825,000					
37.....	15,624,273	7,000,000	5½			2.50	805,000 N.V.
38.....	289,300	110,000				2.25	
39.....	912,833	500,000					
40.....	2,477,183	1,750,000			7.00		
41.....	3,410,586	2,250,000	6		7.00		
42.....	2,336,004	1,000,000	5½		3.50		
43.....	131,250	125,000			6.50		
44.....	1,130,272	650,000			2.00		
45.....	14,436,775	11,500,000	5½		1.75		
46.....	593,031	350,000			7.00		
47.....	980,000	938,000			6.00		
48.....	2,791,701	1,200,000			7.00		
49.....	677,247	600,000			2.50		
50.....	258,876	200,000			6.50		
51.....	380,000	380,000			7.00		
52.....	2,821,848	3,500,000			7.00		
53.....					N.P.V.		
54.....	1,500,208	850,000				2.00	3,500,000 N.V.
55.....	2,210,000	1,820,000			7.00		1,820,000
56.....		1,500,000	5½				809,919
57.....	495,087	809,919					Non-voting
58.....	4,777,562	2,500,000	5½		6.00		1st 2 years
59.....	21,836,747	23,160,000			6.00		4,160,000

[illegible]

* Number of shares.

TABLE 17
EARNINGS HISTORY OF BONDS SOLD TO THE PUBLIC

Case No.	Times Interest Earned							
	1926	1927	1928	1929	1930	1931	1932	1933
1	.....	1-03	1-00	1-00	1-5	2-1	2-7	2-9
7	3-2	8-5	bonds retired, 1928 at 105					
11	Bond interest earned each year; a portion of preferred dividend also earned each year.							
18	1932, bond interest in arrears waived, bonds put on an income basis.							
22	Interest earned each year; preferred dividends also earned.							
31	1934, reorganization.							
37	.....	.....	1-1	1-0	1-0	Not earned	Not earned	Not earned
40	.....	.....	Pref. Div. earned up to end of 1931	Pref. Div. earned	Pref. Div. earned	Not earned	Reorganization, 1932	Not earned
42	Bond interest earned	rest earned	up to end of 1931			Not earned	Not earned	Not earned
45	Bond interest earned	rest earned	to date			Not earned	Not earned	Not earned
56	.....	.....	.....			Not earned	Not earned	Not earned
58	Bond interest earned	rest earned	to date			Not earned	Not earned	Not earned
65	Earnings	not available	le.			Receiver	ship, 1931	
67	Earned to 1930					Phoenix Elevator Co.	taken over	Not earned by
71	Earned to 1932			Earned	1930, reorganization:	Not earned	Not earned	Readjustment
74	.....	.....	.....	.....	.....	.....	.....	.....
78	.....	.....	.....	Not earned	Not earned	Not earned	Not earned	Readjustment
84	Earnings	not published.						
85	Bond interest earned	rest earned						
86	.....	.....	.....	.....	.....	Not available	1-02	1-04
88	.....	.....	.....	.....	.....	1-5	1-31	1-38

TABLE 18
EARNINGS HISTORY OF PREFERRED SHARES SOLD TO THE PUBLIC

Case No.	Earnings per share required for Preferential Dividend		Estimated Earnings per share	Actual earnings per share							
	\$	cts.		1926	1927	1928	1929	1930	1931	1932	1933
2	7.00	26.52	.....	19.37	32.15	34.44	Def.	5.18	1.60	.48	
3	7.00	.....	18.27	18.08	15.25	15.84	8.97	5.98	3.63	7.53	
4	7.00	33.33	23.09	11.35	D acquired by B.C. Packers, Ltd., 1928						
6	7.00	.....	22.37		27.52	45.30	converted to common				
8	7.00	.....	.....	.....	16.99	acquired by Claude Ne on General Ad-					
9	7.00	46.66	.....	.....	Not reported.						
11	6.50	15.99	.....	6.64	7.62	7.46	7.41	3.91	.38		
13	7.00	.....	.....	215.96	453.91	417.65	184.25	399.29	63.14		
15	7.00	26.66	.....	Earnings	s not reported; voluntary assign ment, 1931						
17	7.00	28.00	.....	Earnings	s not reported; no preferred dividends						
20	7.00	.....	.....	19.21	13.70	15.78	7.18	nil	nil	nil	
21	7.00	.....	.....	15.50	13.12	nil	nil	nil	nil	nil	
22	7.00	.....	.....	10.25	16.70	14.75	9.29	7.87	7.15		
26	1.75	.....	.....	Earnings	s not reported; stock purchased by Presi-						
27	7.00	5.88	.....	nil	17.91	nil	bankruptcy, 1931.				
29	6.50	15.00	.....	.....	21.50	Def.	Def.	.01	bond int. earned.		
31	6.00	.....	.....	.....	.....	7.04	.02	nil	nil	nil	
33	7.00	25.38	.....	.....	23.01	12.42	6.20	not reported.	nil	1.80	
34	2.00	.....	.....	.....	.....	Def.	Def.	1932 acquired by industries.	Air-		
38	7.00	.....	.....	Earnings	s not reported 1932 and 1933 Pref. Divid-						
39	7.00	.....	.....	16.76	15.62	21.87	15.95	13.89	32.58		
40	6.50	.....	.....	25.64	1.42	not earned since.					
41	6.50	.....	.....	18.16	24.59	13.48	6.58	Def.	Def.	nil	
42	2.00	.....	.....	7.55	4.12	2.27	1933 bankruptcy.				
43	1.75	.....	.....	Earnings	s not reported.						
44	7.00	34.61	.....	16.52	.....	10.58	9.63	nil	nil	nil	

TABLE 18

EARNINGS HISTORY OF PREFERRED SHARES SOLD TO THE PUBLIC—*Concluded*

Case No.	Earnings per share required for Preferential Dividend	Estimated Earnings per share	Actual Earnings per share							
			1926	1927	1928	1929	1930	1931	1932	1933
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
45	6.00				12.93	15.64	6	1.22	2.83	4.00
46	7.00				25.10	bankruptcy 1931				
47	2.50				(28 & /29)	5.25	4.12	.92	nil	nil
48	6.50	21.65				35.59	32.73	19.72	nil	Def.
49	7.00				15.13	10.31	13.14	5.87	3.13	Def.
50	7.00				Earnings not reported; preferred dividends paid regularly					
51	7.00						8.31	2.47	.28	nil
54	7.00				19.58	21.14	8.53	9.52	5.25	4.17
58	6.00	/28—13.33			8.35	14.33	10.66	7.51	6.07	6.15
59	6.00	/29—20.00			.56	7.66	6.86	.24	3.15	13.95
		3.95			(9m)	(13m)			(I)	(D)
61	7.00				21.30	32.02	20.77	7.92	nil	6.72
					(9m)					
63	7.00				19.25	27.93	27.52	33.28	26.77	22.35
64	7.00				41.49	42.25	18.38	7.91	nil	6.24
67	6.50				39.74	51.20	20.34	receive	rs	1931
68	3.25					7.01	Def.	Def.	Def.	3.21
70	7.00					17.36	12.20	12.14	13.39	13.78
72	7.00	26.66				23.52	2.97	.01	10.27	7.35
									(D)	
75	6.50					5.96	10.05	10.61	10.61	9.95
						(6m)				
76	6.50					39.40	17.64	nil	not reported	
77	7.00					22.43	14.47	6.81	nil	nil
79	3.00					Earnings not reported				
80	3.00					Earnings not reported	7.45	5.86	5.26	1.63
83	1.57	7.85				Earnings not reported				
85	6.50					10.11	11.95		5.52	nil
	& 6.00					(7m)			(13m)	
87	7.00	3.00				Earnings not reported			Bankruptcy.	

TABLE 19
EARNINGS HISTORY OF CLASS "A" SHARES SOLD TO THE PUBLIC

Case No.	Earnings per share required for Preferential Dividend	Estimated Earnings per share	Actual Earnings per share							
			1926	1927	1928	1929	1930	1931	1932	1933
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
10	2.50	4.54			1.63	.53	Not reported	.48	.14 (D)	
24	1.60				7.46	6.32	4.78	Def.	Def.	Def.
28	2.00				.53	.20	.18	.50 (D)	.33 (D)	.04 (D)
30	2.00	2.00				2.63	2.19	2.44	2.01	1.54
35	2.25				2.32 (6½ m)	4.90	4.25	nil	nil	nil
52	2.00	6.50				3.88 (14 m)	nil	nil	.10	
60	2.00	8.33			4.14	6.60	Def.	Def.	Def.	Def.
62	3.00				13.79	28.24	9.19	3.83	nil	nil
66	1.00				4.48	1.70	Def.	Def.	Def.	Def.
69	1.60	3.68				2.93	.63	nil	Def.	Not reported
71	No rate quoted					4.05	4.38	(15 m)	1.13	.04 (D)
73	2.00						3.57	1.75	nil	(D)
74	1.50					6.73 by Phoenix	Reorganization, El	ization, Elevator	1930, taken over	Co.
81	1.00						4.10 (D)	1.14 (D)	3.11 (D)	1.04 (D)

TABLE 20
EARNINGS HISTORY COMMON SHARES SOLD TO THE PUBLIC

Case No.	Estimated Earnings per Share	Actual Earnings per Share							
		1926	1927	1928	1929	1930	1931	1932	1933
5			1927,	merged	with G	ooderha	m & W	orts, Ltd	
8				2.59	1929,	taken o	ver by	Claude	Neon
10				Preferred	divid	end not	earned	in any	ear.
12				1.94 (13 m.)	2.20	1.24	1.51	1.39 (11 m.)	2.00
14	4.68			2.63	.32	not registered	1.12	.78	
19				Earnings	not rep	orted			
23			1927,	control	acquire	d by Int	ernation	al Paper	Co.
25	39.47		Earnings	not pu	blished				
32	2.37			2.11 (6 m.)	2.01	1.82	1.83	1.62	1.72
36	4.00				1.61 (15 m.)		4.01	1.67	
55	3.14			.80	Preferred	not p	aid since		
57				Earnings	not pu	blished			
59						After 19	30, no ea	arnings on	
68				After 19	29, oper	ating los	ses		
73						1.17	not since	1930	
79	1930—.72;/31—0.82								
80	1932—2.95;/33—4.07			Earnings	not pu	blished	2.45	1.57	1.16
82	12.00			Earnings	not pu	blished			nil

ANNEX IV

SUPPLEMENTARY TO CHAPTER III

THREE CASES OF CORPORATE FINANCING

(A) SIMPSON'S, LIMITED, TORONTO

In the case of Simpson's, Limited, the original operating Company, the Robert Simpson Company, Limited, and its subsidiary operating companies were left undisturbed in effect, and the entire refinancing took place through a holding company. The Robert Simpson Company was founded in 1872, but was not incorporated until 1896, when it had an issued capital of \$137,500. In 1898, three Toronto financiers (Sir Joseph Flavelle, H. H. Fudger and A. E. Ames) purchased the 1,375 issued shares of this company. By 1917, the total capitalization of the Company had grown to \$6,700,000, and consisted of 33,500 six per cent preference shares and 33,500 common shares; of these 5,000 preference and 26,033 common shares had been issued as stock dividends. In addition to this, \$2,250,833 five per cent first mortgage bonds had been issued in 1912. Since 1918 there has been no substantial change in the capital structure of the Robert Simpson Company, Limited, itself.

In March, 1925, Simpson's, Limited, was formed as a holding company and purchased from the holders of the shares 33,500 common shares of the Robert Simpson Company, Limited. The holders of these shares received \$150 per share in cash, and three shares in the new Simpson's, Limited, in return for each share of the Robert Simpson Company, Limited, which were surrendered to the holding company. The cash for this transaction was obtained by selling to the public \$5,600,000 6½ per cent collateral trust bonds of the holding company; the collateral was the common shares of the Robert Simpson Company. These bonds were sold to the underwriters, Wood, Gundy & Co., at 90. The net effect of this transaction was that the owners of the Robert Simpson Company now became the owners of Simpson's, Limited, which, in turn, owned the Robert Simpson Company, and in addition they received something over \$5,000,000 in cash.

It was stated in the bond prospectus of the 1925 Company "one of the primary purposes of this issue is to afford an opportunity for officers and department managers of the company to secure a more important share-holding interest in the business. Simpson's, Limited, will comprise among its shareholders not only the present holders of the common shares of the Robert Simpson Company, but also a number of the chief executives and managers of that Company."

It will be noted that this transaction did not directly affect the operating company, but the sale of bonds by the holding company, the payment of interest on which depended upon the operating company's dividend policies, created a situation to which reference will be made later. In 1928, when funds were required for extension of the Toronto store premises the necessary money was raised by the holding company through an issue of \$4,000,000 preferred shares. In the following year an additional \$3,000,000 of such shares were sold to provide funds for new buildings in Montreal. The commissions and expenses of selling these shares totalled \$292,189, and were paid by the operating company.

In June, 1929, a new Simpson's, Limited, was incorporated and the 1925 company was wound up. The capitalization of the 1929 company was as follows:

First Mortgage Bonds, Series "A" 6 per cent (1929).....	\$10,000,000*
Series "B" 5½ per cent (1930).....	1,250,000
6½ per cent Cumulative Preference (1929).....	10,000,000*
(1930).....	1,250,000
Common Shares no par value Class "A" 120,000 (stated value).....	4,600,000
Class "B" 120,000 (stated below).....	1,461,314*

The securities marked with an * were given to Simpson's, Limited, 1925, and were sold by it to the underwriters for \$20,000,000 cash; the par value of the bonds and the preferred stock. The underwriters gave one share of Class "B" common as a bonus with each five shares of preferred, which accounted for 20,000 Class "B" shares. The remaining 100,000 Class "B" shares represent the consideration received by the underwriters as their commission in distributing the securities.

The following outline indicates the disposition of the monies received by Simpson's, Limited, 1925, from the underwriters and others:

RECEIPTS

(of Simpson's Limited (1925) upon winding up in 1929)

1. Cash	\$20,000,000
From sale of \$10,000,000 6 per cent 1st Mortgage Bonds \$10,000,000 6½ per cent Preferred Shares 120,000 Class "B" Shares to Investment Bankers	
2. Deposit with National Trust against retirement of Simpson's Limited (1925) Collateral Trust Bonds not transferred to the new company	1,983,192
3. Sale of 30,969 Class "A" Shares of Simpson's (1929) to employees at \$50	1,584,450
4. Interest on funds or deposit.....	30,752
Total cash	<u>\$23,562,394</u>

In addition there were 120,000 shares of Class "A" stock less 30,969 as above—89,031 shares for distribution to the owners of Simpson's, Limited, 1925. These were distributed to the minority shareholders, that is, the owners of 29,677 shares of the 100,000 common shares of the 1925 company. The majority stockholders, that is, those who owned the remaining 70,323 shares, got \$150 cash per share and retired from the business.

DISBURSEMENTS OF THE \$23,623,394 AND 89,031 SHARES CLASS "A" STOCK

Prior Claims—

Own bonds and preference shares redeemed—	
Bonds	\$ 5,024,800
Premium	200,992
Preference	7,000,000
Premium	350,000
Bonds of Robert Simpson Western Limited—	
Retired	80,000
Premium	2,400
Dividend on Comon Shares Simpson's Limited (1925).....	150,000
Incorporation and other expenses.....	149,089
Balance turned over to Simpson's Limited (1929).....	56,663
	<u>\$13,013,944</u>

The difference between the receipts of \$23,562,394 and the disbursements of \$13,013,944, or \$10,548,450, was available for holders of 100,000 common shares of Simpson's, 1925, plus 89,031 common "A" of Simpson's, 1929.

Of the 120,000 class A shares received, as above, 30,969 shares were sold to employees at \$50 per share. Thus there was left for distribution to the common shareholders of the 1925 company, an amount of \$10,548,450 and 89,031 class A shares of the Simpson's Ltd., 1929. The majority shareholders, represented mainly by the Flavelle-Fudger-Cox interests, received the available cash, amounting to \$150 per share. The minority shareholders, owning slightly less than 30 per cent of the capital of the 1925 company, divided the remaining class A shares, receiving 3 of such shares for each share of the 1925 company held.

The investment in the operating company's common shares were taken on the books of the 1929 company at \$20,460,485.09, which value exceeded the book value of these shares before the first holding company was formed, by over \$12,000,000. The excess of operating profits over dividends between 1925 and 1929 amounted to \$3,700,000, while two appraisals of the fixed assets, less underwriting expenses, etc., accounted for the balance—\$8,400,000.

The total amount of cash, therefore, paid to the former shareholders of the operating company and to others who in the meantime had become shareholders but who retired with the majority interests in 1929, was:—

1925.....	\$	5,025,000
1929.....	\$	10,548,450

The following table shows the changes in capital structure:—

TABLE 21.—THE SIMPSON COMPANIES CAPITAL STRUCTURE

	At the 4th February, 1925		At 3rd January 1934
	Before the reorganization	After the formation of Simpson's Ltd. (1925)	
	\$	\$	\$
Bonds, Mortgages and Preference Shares of operating companies in the hands of the public.....	5,900,224	5,900,224	4,725,223
Common Stock of The Robert Simpson Company Ltd.....	3,350,000		
Bonds of Simpson's Ltd.....		5,600,000	10,283,500
Capital stock of Simpson's Ltd., Preference Shares.....			11,250,000
Common Shares.....		5,372,737	
Common Shares class "A" and Class "B" Shares.....			5,061,314
Balance of Profit and Loss Account.....	4,805,887		
	14,056,111	16,872,961	32,045,856

The table above shows that the total capitalization increased from \$14,000,000 just before the 1925 refinancing, to over \$32,000,000 in 1934. Of course the properties also increased over this period and when the 1925 company was organized an appraisal was made which showed an increase in the fixed assets of \$6,040,000. Of this some \$2,800,000 was taken into the accounts. In 1929, by the same process, the book value of the assets was increased by approximately \$6,000,000.

It will be seen from this that the process of refinancing here was accompanied by the usual and almost inevitable process of writing-up assets in order to cover the nominal value of the securities issued. In essence this process represents one of over-capitalization or stock watering, meaning by this that amounts of securities are sold in excess of any reasonable value to be placed on the tangible assets of the company. When appraised values exceed sound values, the only justification for increasing capitalization is greater earnings.

If the earnings of the future are sufficient to hold up the capitalization incurred, then the transaction will be regarded by the business world as one which has justified itself; if, however, the earnings of the future are insufficient to justify the capital, then the time comes when the capital structure must be revised, and the unfortunate purchasers of securities must suffer loss.

So far as the earnings situation of the Simpson Companies is concerned, it is doubtful if that situation justified such a capitalization. The following table shows the earnings situation and, encouraging as it was, it seems difficult to believe that such an optimistic capitalization was justified:

TABLE 22.—THE SIMPSON COMPANIES EARNINGS OF 1924-1933.

(In thousands of dollars)

Year	Number of Weeks	Amount of net invested capital	Earnings			
			Before Depreciation		After Depreciation, as provided by the Company	
			Amount	Per cent to net invested capital, including stock bonuses	Amount	Per cent to net invested capital
1924.....	53	\$14,056	\$2,542	18.1	\$2,020	14.4
1925.....	52	14,580	2,568	17.6	2,025	13.9
1926.....	52	15,252	3,169	20.8	2,592	17.0
1927.....	52	16,147	3,425	21.2	2,862	17.7
1928.....	52	20,906	3,622	17.3	3,048	14.6
1929.....	52	21,825	3,422	15.7	2,658	12.2
1930.....	52	24,507	3,278	13.4	2,501	10.2
1931.....	53	23,964	2,231	9.3	1,605	6.7
1932.....	48	23,467	679	2.9	115*	0.5
1933.....	52	23,325	1,827	7.8	1,223	5.2

*NOTE.—Depreciation was not provided by the Company for the year 1932. The profits shown \$114,600, are after deducting \$564,618 for depreciation, which is the amount provided during 1932 but reversed at the years' end.

This table shows clearly the way in which the percentage return on invested capital was reduced by the depression. It might be pointed out that the peak percentage return was actually in 1927, although the greatest absolute return was in 1928.

The table below gives the earnings record of Simpson's Limited:

TABLE 23.—EARNINGS OF SIMPSON'S LIMITED

(in thousands of dollars)

Year	No. of Weeks	Earnings after Depreciation	Prior Charges of Subsidiary Companies and taxes	Amount Available for bond interest	Bond Interest	Balance Available for dividend	Pref. Shares
1925.....	52	2,025	840	1,185	308	877	—
1926.....	52	2,592	813	1,779	354	1,425	—
1927.....	52	2,862	883	1,979	347	1,632	—
1928.....	52	3,048	894	2,154	337	1,817	140
1929.....	52	1,658	873	1,785	484	1,301	569
1930.....	52	2,501	517	1,984	639	1,345	671
1931.....	53	1,605	323	1,282	662	620	743
1932.....	48	115	267	152x	589	741x	—
1933.....	52	1,223	397	826	625	201	—

x Deficit.

This table would appear to indicate that, until 1929, the bond income was fairly secure, but that the added bonds resulting from the refinancing, were placed in a less satisfactory position. Even so, the earnings of 1930 appear to have given the bonds a reasonably secure position until the depression reduced earnings so drastically. The position of the new preferred stock was less satisfactory and even in 1929 and 1930 the earnings were equivalent to only twice the preferred dividends. A preferred stock in such a position could not at best be regarded as better than a "business man's risk" and should not have been sold indiscriminately to all classes.

Another important aspect of the recapitalization of Simpson's Limited, lies in the transactions concerning rentals which took place in 1929 and subsequent years. As long as the holding company continued to own common shares of the operating company, then the holders of the bonds and preferred stock of the operating company had a claim on its earnings, which ranked prior to that of the holders of any class of securities of the holding company. Reference has already been made to the funds raised for building extensions by the holding company and in 1929, the holding company purchased from the operating companies certain of their lands and buildings and thereafter made annual rental charges against the operating companies for the use of the properties. This meant that the holding company was assured of a revenue with which to meet its bond interest and such revenue had to be provided by the operating company in priority at least to dividends on its own preference shares. If such a purchase had been made at a reasonable price and the money paid over, little objection could be taken, but the holding company did not pay for the buildings taken over but owed thereon, as late as 1934, over \$5,500,000. Without inquiring into the propriety of the purchase price, it might be argued that if the unpaid balance should be well secured and a reasonable rate of interest paid thereon, there would be no hardship on any class of investor. In fact, however, no interest was paid so that not only were the shareholders of the operating company deprived of earnings on over \$5,000,000 of their assets, but annual payments to both the bondholders and preferred shareholders were in effect subordinated to the rental charge paid to the holding company.

To reduce the position to its simplest form, it might be fairly said that these rental arrangements were a device to advance the interests of the investor in the holding company to the detriment of the senior security holders of the operating company.

A final consideration is the cost of the various financial operations. A collateral trust bond issue of \$5,600,000 sold in 1925, brought into the company \$5,025,000; a balance of \$575,000 going to the underwriter. The commissions and expenses of the preference shares issued by the 1925 company, totalled \$292,190 and were paid by the operating company. The bonuses paid on the retirement of the securities of the 1925 company totalled \$550,992. The book value assigned to the securities of the 1929 company sold to the underwriters for \$20,000,000, amounted to \$21,461,314. The following summary therefore represents costs in connection with refinancing operations written into the new capital structure:—

\$ 575,000
292,190
550,992
1,461,314
<hr/>
\$2,879,496
<hr/>

The following inferences and conclusions may be drawn from the above facts:—

- (1) That the majority interests of the operating Simpson Company, after receiving dividends for over 20 years, some of the time at a very high rate, received more than \$15,000,000; over \$6,700,000 of which represented a profit over and above the value of their equity as shown by the books.
- (2) This was made possible by selling to the public bonds and preferred stocks, which added fixed charges in the neighbourhood of \$1,000,000 annually.
- (3) Through purchasing the fixed assets of the operating company for an open debt, upon which interest was not charged, the holding company's bondholders secured by rental charges, payment of their interest in priority to the senior shareholders of the operating company.
- (4) The majority shareholders withdrew from the business when earnings values were at their peaks; consequently the public buying these securities, bought them at these peaks.
- (5) The difficulties of such large capitalization were demonstrated in the following years, when dividends on the holding company's preference shares were not paid after February, 1932; nothing has been paid on the Class A shares since 1931 and nothing has ever been paid on the Class B shares.
- (6) The remuneration of the investment dealer floating the 1929 issue, appears seriously out of proportion. In this case, 100,000 Class B shares (120,000 issued less 20,000 given as bonus with preference shares) were netted by the underwriting company and whatever the market value may be, they represent over \$1,200,000 in the company's capital account. This return seems out of all proportion to the social significance of their action, which indeed, might be argued had little social merit whatever.

(B) BURNS & COMPANY LIMITED, CALGARY

Burns and Company Limited, was incorporated in 1928 under the laws of the Dominion of Canada, for the purpose of acquiring as a going concern the business founded by Mr. Pat. Burns in Calgary, Alta., in 1890. The latter business had a long record of successful operation, and had an unusual prestige in the Canadian West.

It was stated in the evidence given before the Commission that the reason for the organization of a new Company was that Mr. Burns wished to retire from active management, though why this could not be done without increasing the capitalization of the company, does not appear evident. In any case, protracted negotiations were carried on with the Dominion Securities Company, which had been associated with the Burns Company since 1908. As a result of the discussions, the Canadian Appraisal Company was instructed to make an appraisal of the properties of the Pat. Burns Company, on the basis of replacement value new.

One of the conditions of the agreement between Mr. Burns and the Dominion Securities Company was that certain specific assets of the old company were to be purchased by Mr. Burns at their book value; it was further agreed that this money was to be paid into the old company before the transfer to the new company occurred and that these assets were not to be included in the appraisal.

The assets taken out of the company by Mr. Burns had a book value of \$4,038,837. This left fixed assets of approximately \$5,984,856, which were appraised by the Canadian Appraisal Company at a net amount of \$10,845,000, that is \$11,075,374 less a purchase money mortgage of \$220,910. The net amount

of the write-up was approximately \$4,860,000, against which was set up a depreciation reserve of \$1,700,000, making net fixed assets of \$9,145,000, which represented a net increase of approximately 53 per cent. These new values were based on an appraisal made by this Appraisal Company, which had been instructed as the basis of the appraisal. The facts were that unless the appraisal of the company's fixed assets at replacement value now amounted to at least \$10,500,000, there would be no deal. The following excerpt from the Committee Evidence (p. 2560) shows this clearly:—

Q. You said you told them to give it at replacement new?—A. Yes.

Mr. LASH: The agreement with Mr. Burns was that unless Canadian Appraisal Company showed an appraisal of the company's assets at replacement value new, of at least \$10,500,000, there was no deal. Their appraisal, when it came through, was \$10,800,000.

The appraisal of the assets on this basis of replacement value new, excites interest because this is a somewhat uncommon basis for the valuation of industrial property. The fact that the Dominion Securities Corporation gave instructions for the appraisal to be on this basis; that no mention of the old valuation of the fixed assets was made in their prospectus covering the offer of these securities, and that their representative who was examined before us could attest no other instance in which his concern had conducted financial operations by this method, appears to indicate that the valuation of the assets was of an arbitrary nature, devised to suit their immediate needs in effecting a satisfactory agreement with Mr. Burns. Certainly these facts weaken the statement of the representative of the Dominion Securities Corporation before the Commission that replacement value new was considered "as giving the fairest test of the value of the property."

The equity of Mr. Burns, that is the value of his holdings of common stock, was computed in the following manner:—

Replacement value new of company's fixed assets, net.....	\$10,845,464
Net liquid assets.....	4,366,339
Other investments	586,268
Assets taken by Mr. Burns at their book value.....	4,038,837
	<hr/>
	\$19,836,908
Less: Bonds outstanding....	\$3,978,500
Preferred outstanding....	3,906,200
	<hr/>
Net worth of Common Stock.....	\$12,852,208

It was finally agreed that Mr. Burns should receive \$9,671,000 for this equity; this figure represented a discount of \$3,181,000, but it should be remembered the fixed assets had been written up by nearly \$5,000,000, so that he was still receiving an amount in excess of the original book value of the assets. Thus the change in the ownership of the company resulted in a reduction in the net book values of the liabilities and assets of the old company, by an amount equal to that which was withdrawn by Mr. Burns, and the increase in the total funded debt capital investment was nearly \$400,000. The change effected by this refinancing can be seen in the following table.

TABLE 24.—COMPARISON OF ASSETS AND CAPITAL STRUCTURES OF P. BURNS CO., LTD., BEFORE AND AFTER REFINANCING—1928.

Date	Fixed Assets	Net Liquid Assets	Reserve for Depreciation	Bonds	Preferred Stock	Common Stock	Bond Interest	Preferred Dividends	Total Bond Interest and Preferred Div'ds.
	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at December 31, 1927.	9,865,177	4,366,339	3,177,767	3,078,500	3,906,200	5,000,000	200,102	273,434	473,536
Immediately after Refinancing 1928.....	10,854,464	4,393,000	1,592,000	7,000,000	6,900,000	99,997	385,000	414,000	799,000

This table shows clearly the changes which the reorganization made in the position of the Burns Company. These changes were in general unfavourable, but their specific implications will be discussed later.

The new issues of bonds and preferred stock were purchased by the Dominion Securities Corporation at a common price of 92·8, and from the resulting sum of \$12,899,000, Mr. Burns was paid, pursuant to the purchase agreement, a net amount of \$5,632,164. The outstanding securities of the old company, amounting to \$6,984,700, were redeemed. Presumably the difference between the purchase price of the securities and the selling price, which was 100 for the preferred stock and 99·50 for the bonds, represented the investment dealer's profit. This, however, does not reveal the whole story, because in addition to this commission for the sale of securities, the Dominion Securities Corporation also received all of the common stock, as consideration for its "services" in the refinancing.

Looking at the facts from a different view, the sale of these securities to the company meant a discount from par of \$1,000,000, which represented a cost to the company. Since the company had enjoyed a relatively strong position with the investing public, those securities were sold easily. Accordingly, a discount of such an amount seems to be much larger than the risks involved would dictate. Certainly, a smaller discount would have amply rewarded the investment dealer and would have improved the working capital position of the enterprise by a substantial sum.

A somewhat surprising feature of the new capital set-up was the fact that the depreciation reserve was arbitrarily set at a figure of \$1,700,000, whereas in the old company it appeared on the books at \$3,177,767, although this presumably included amounts set against certain property which was taken over by Mr. Burns at a price. In other words, the assets were first appraised at their replacement value in the inflation period of the business cycle and against this high valuation there was set up a depreciation reserve much smaller than in the original company, whereas it should have been much higher. As the asset values were written up, the depreciation should have been written up also.

We may now turn to an examination of the earnings situation and history of the company. In the prospectus issued at the time (on which the auditor's name was not shown nor a certified statement attached), the following statement appeared regarding earnings:—

Earnings of P. Burns and Company Limited, certified by its auditors as based on the assets acquired by the new company, available for bond interest, depreciation and profit taxes, after giving effect to the present finance, were as follows:

Average annual earnings for the four years and six months ending	
December 31, 1927.. . . .	\$ 991,588
Earnings for the years ending December 31, 1927.. . . .	1,066,618
Interest requirements on the 5½ First Mortgage Bonds presently to be outstanding.. . . .	385,000
Available for preferred dividends and depreciation after federal income taxes:	
Average annual earnings for the four years and six months ending	
December 31, 1927.. . . .	576,043
Earnings for the year ending December 31, 1927.. . . .	646,660
Total dividend requirements on present issue.. . . .	414,000

It will be noted that these figures were "before depreciation"; under any conservative system of accounting, depreciation is always one of the earliest deductions from operating profits, and if these figures were corrected for a depreciation charge of, say \$300,000, they would look altogether different. It is generally regarded that a safe bond must have a margin, after its interest is paid, of twice the interest charge; it is obvious that the Burns bonds could not meet such a test. The position of the preferred stock is even worse, for when the 1927 earnings reported in the prospectus are corrected for depreciation, the preferred dividend is hardly covered. A statement appeared, it is true, in the advertising material that it was expected certain economies would be put into effect which would materially increase the earnings. This type of statement, however, is such a matter of course that any prospectus not having it would become suspect at once.

One can hardly escape the conclusion that the Dominion Securities Company was exceedingly culpable in this flotation. Indeed, this case is a very flagrant one; so much so that it becomes nearly fraudulent.

The earnings statistics of the new company from 1928 to 1933 will prove enlightening.

TABLE 25.—EARNINGS STATISTICS OF THE P. BURNS COMPANY, 1928-1933.

—	Before Depreciation bond interest, etc.	After Depreciation	After bank interest, taxes, etc.	Bond interest ²	Balance	Preferred Dividends	Balance
	\$	\$	\$	\$	\$	\$	\$
1928.. . . .	1,409,612	1,135,253	971,253	375,040 +	596,253	343,295 +	252,958
1929.. . . .	1,447,007	1,165,672	864,454	375,000 +	489,454	416,250 +	73,204
1930.. . . .	687,531	420,000 ¹	119,000	384,360	265,360	312,531 —	47,171
1931.. . . .	299,288	2,070 —	130,559	375,978 —	509,537	.....	.....
1932.. . . .	46,698	243,664 —	327,043	374,049 —	701,096	.....	.....
1933.. . . .	474,035	203,605	160,809	372,578 —	211,769	.....	.....

¹As no depreciation was charged in this year, the net figure is an estimate arrived at by deducting the amount of depreciation charged in the previous year.

²Not given separately in the income statements and so estimated.

It can be seen from this table that on an income basis the bonds were never too secure, and that the position of the preferred stock was precarious from the beginning. Even in the year 1928—the best year—a reduction of 18 per cent of total net income would have made earnings insufficient to cover the preferred dividends. And this, it may be remembered, is with inadequate depreciation charges. With proper depreciation charges the situation would be much worse.

Possibly even investment dealers may be forgiven for not seeing the extent of the depression, but the above facts make it clear that any moderately intelligent business man could see that a very slight recession in business would put the P. Burns Co. into difficulties. A depression was not needed. This point is

of peculiar significance for a unit in the packing industry, which typically obtains its profit from a large volume of business with a relatively small mark-up. Accordingly a shrinking in the volume of business would affect this company in its most vulnerable point. Only a Mr. Micawber could regard the position of the Burns Company with equanimity, even in 1928.

With the ending of the inflation period in which the new organization took place, earnings fell far short of those which were stated to be expected. It is true, of course, that earnings of all companies, combination and single firms alike, fell during this period. The point is, however, that in connection with the capitalization of mergers and new incorporations generally in a boom period, no cognizance is taken of the depression which inevitably must follow such a period of expansion and inflation. The disregard of this economic fact is frequently made many times worse by the nature of the new capitalization. It was so in the case of Burns and Company Limited as will be seen from what follows.

The capitalization of old and new companies was as follows:—

Old Company x		New Company xx	
Bonds.....	\$3,078,500	6½% 1st Mortgage	\$7,000,000
Pref. Stock.	3,906,200		6,900,000
Common....	5,000,000	5½% 1st Mortgage	
		6% Preference	
		3 Management	
		Pref. (N.P.V.)	
		99,997 Common (N.P.V.)	

x Outstanding at time of reorganization.

xx Issued capital.

Senior securities increased from \$6,984,700 to \$13,900,000. Fixed interest charges increased from \$200,103 to \$385,000 per year, or nearly double; preferred stock dividend obligations increased from \$273,434 to \$414,000. The meaning of this is simply that when the inevitable sequence of depression after boom occurs, the concern incorporated at the inflated values of the boom period has not only to face the falling demand and prices of the depression period, but it has to face them under severe handicaps. It has to face also the heavy fixed and prior charges due to the creation of large amounts of senior securities, of which rarely a dollar of the proceeds was ever invested in the company. The presence of such additional burdens has meant, in many cases, reorganization or even liquidation.

The new Burns Company encountered such difficulties that preferred dividends were discontinued after September 30, 1931; then bond interest and sinking fund payments were postponed during 1932 and 1933, and finally the financial structure had to be reorganized. At the end of 1933, the deficit was \$1,109,826.97. It is significant that the additional payments of interest and preference dividends which were made during the years 1928 to 1931 inclusive due to the higher capitalization amounted to \$1,127,000 or more than the amount of the deficit.

Why was such a high capital set-up created? There is, of course, no direct answer from the parties concerned, but the evidence indicate clearly that it was capitalized at about the highest figure for which securities could be sold. It is obvious, however, that a successful going concern in the peak of a prosperity period cannot be purchased except at a high figure. Probably the only way to raise the funds to meet the high valuation set on the concern is by selling issues to the public affected by boom psychology. In this case also the old bonds and preference stock were retired at a premium. Profits for the issuing company, in this case, Dominion Securities Corporation, must also be included. These various items together required a large capitalization to swing the reorganization.

What of the final outcome? Since bond interest could not be paid in 1932 and 1933, another financial reorganization was made in 1934. The following statements indicate the results before and after:—

TABLE 26.—CONDENSED BALANCE SHEETS OF BURNS & CO., LTD., AS AT DECEMBER 31, 1933, AND JANUARY 1, 1934.

ASSETS	Balance Sheet as at December 31, 1933	Proposed re- vision to take effect as at January 1, 1934
Current assets.....	\$3,103,282	\$3,103,282
Mortgages and agreements for sale receivable.....	5,169	5,169
Sinking fund cash.....	97	97
Prepaid expenses.....	138,478	138,478
Investments in subsidiary companies.....	1,748,515	983,446
Other investments.....	460,506	314,308
Fixed assets.....	11,728,588	11,728,588
	\$17,184,639	\$16,273,372
LIABILITIES		
Current liabilities.....	\$1,097,258	\$1,097,258
Mortgage and agreement for sale.....	126,459	126,459
First Mortgage bonds.....	6,757,900	6,757,900
Interest unpaid Dec. 1, 1931—Dec. 1, 1933.....	774,457	.....
Reserve for depreciation.....	2,483,412	5,000,046
Other reserves.....	31,379	31,379
Reserve for contingencies.....	.....	536,029
Capital stock.....	7,023,600	2,724,300
Deficit.....	1,109,826	.....
	\$17,184,639	\$16,273,372

TABLE 27.—STATEMENT SHOWING DISTRIBUTION OF AMOUNTS BY WHICH CAPITAL STOCK OF BURNS & CO., LTD., IS REDUCED UNDER SCHEME FOR REORGANIZATION

Reduction in Book Value of:		
Investments in subsidiary companies.....	.....	\$ 765,068
Other investments.....	.....	146,198
Elimination of deficit.....	1,109,826	.....
Less. Bond Interest cancelled.....	774,457	335,369
Increase in reserve for depreciation.....	.....	2,516,634
Reserve for contingencies.....	.....	536,029
Reduction in stated value of capital stock.....	.....	\$4,299,300

Salient features of the reorganization are as follows:—

Bondholders: Accrued interest (bond) amounting to \$774,457.30 was cancelled.

For each \$1,000 of old 5½ per cent bonds, due 1948, there was given:

(1) One \$500 first mortgage bond due 1958, bearing interest at the following rates:

1934..	2 per cent
1935..	3½ per cent
1936..	5 per cent to maturity

- (2) One \$500 first mortgage income bond due 1958. Interest at the rate of 5 per cent non-cumulative, if earned, payable out of income only on April 1, in the year following that in which income was earned. Interest becomes a fixed charge on January 1, 1939.
- (3) Five shares of new Class "A" stock.

Preference Shareholders: For each old preference share was given one and one-half shares of new Class "B" common stock.

Common Shareholders: For each twenty old common shares was given one new Class "B" common stock.

As a result of this reorganization, bondholders were called on to make serious sacrifices in interest, and half of their holdings were converted into a less desirable type of bond. They were given in addition, however, five shares of Class "A" preference stock, which has a preference as to dividends to the extent of \$1, but is non-cumulative. The shares also have a preference as to assets to the extent of \$20 and carry the privilege of voting.

Preference shareholders had to accept a junior security in place of a senior position since they were given one and one-half shares of new Class "B" common for each of the old shares of 6 per cent preference. They will receive a dividend on their investment only when the company has sufficient earnings to cover not only depreciation, federal taxes, bond interest and preference dividends of one dollar but when a balance is available over all these, sufficient to warrant a payment on common stock.

Common shareholders had their stock diminished in the proportion of twenty to one. It is not known how much of the common stock was in the hands of the public. A bonus of common was given with the preference shares of the 1928 company. It appears, however, that Dominion Securities Corporation held sixty per cent, evidently as part of the consideration for reorganizing the company in 1928. When, however, the corporation got into financial difficulties, this stock was returned to the company which sold it to Mr. Burns who was assisting the company by purchasing an additional block of common stock.

In summary, it may be said that the result of the reorganization was that the bondholders lost considerable interest and had to accept less desirable securities in part, but received some compensation by becoming the holders of all the new preferred shares which had some priority as to dividends. Former preference shareholders became mere common stockholders and lost their position as prior claimants. In 1928 they paid \$100 per share for their preference stocks. Current quotations for the class "B" common they now hold are \$2 to \$3 per share. Common stockholders had their shares reduced on the basis of twenty to one. The capital valuation of common and preference stock was reduced from \$7,023,600, to \$2,724,300 or by \$4,299,200.

This squeezing out of excess capitalization represents a drastic reorganization to put the financial structure on a reasonable basis, or just about where it was before the investment dealers reorganized it. The main outcome of the refinancing of this company was that the investment dealers had securities to sell, the original owner sold out at a good price, and the public paid the bill. All in all this is one of the most doubtful cases of the recent period; it provides a sad commentary on the social and economic contribution to the development of this country, provided by certain types of promotions.

(C). CANADIAN CANNERS LIMITED

The financial story of Canadian Cannery Limited and its predecessors, which was dealt with in evidence at some length, illustrates several other features which should be commented upon.

In the main, it is a story of the acquisition of numerous plants; the transfer of assets from one corporate entity to another at enhanced values; the development of a corporate undertaking of dominant proportions with none of its capital issued for cash (although many other forms of consideration were received); and the securing of control of the company by a promotional group. Its history, involving three successive major companies, is briefly as follows:

The first company was formed in 1903 when the assets of some thirty independent canning and preserving companies were acquired. Payment was made to the former owners by issuing \$1,700,000 of preferred and common shares. The individual vendors appear to have received preferred shares up to the full value of the plants sold, as determined by them, while the common shares, totalling \$832,800, were received by them as a bonus.

A second company formed in 1910 took over the assets of the former company, paying for them by the issue of its preferred and common shares and mortgage bonds. This operation resulted in an increase in the value of the fixed assets by nearly \$1,500,000, and in the issue of a like amount of additional capital stock and bonds.

The next important change occurred in 1923 when the present Canadian Cannery Limited was formed to take over the business of the second (1910) company. Before selling, however, the latter had an appraisal and increased its nominal asset values again. The new company issued its capital stock and mortgage bonds in payment of the assets acquired, and paid not only the appraised stock value but, in addition, a bonus of 25 per cent of such value. The new capital stock and bonds thus issued exceeded by \$2,950,000 the value at which the assets had stood on the books of the predecessor company.

At the same time thirty-five independent plants were purchased, payment being made on the basis of appraised values plus bonuses, by issuing preferred stock to the vendors for that appraised value and a 25 per cent bonus in common stock. The stock issued in respect of such bonuses amounted to nearly \$500,000.

These are the main steps in the Company's history. Many other changes took place involving the acquisition, operation and disposal of various independent enterprises. In one instance, assets taken on the books at values in excess of their cost to the company, resulted in an addition to "investment and contingent reserve" of \$268,000.

Information is not available as to the excess of appraised values over original cost to the vendor companies. It is clear, however, that of the \$14,000,000 capital stock and bonds at present outstanding, at least \$6,000,000 represent intangible values, appraisal fees, increases in the value of the fixed assets, and bonuses paid over and above the appraised value of assets acquired.

The following is a summary of the more important write-ups, all representing the issue of "fully paid" shares of mortgage bonds:—

1903—Issued as bonus on formation of original company.....	\$ 832,800
1910—Valuation placed on "goodwill" on sale of assets to second company.	429,675
1910—Purchase of various options on the controlling interest in the first company, added to value of real estate and "goodwill" account.	1,323,700
(plus cash \$25,000.)	
1923—Increase in value of assets on reorganization.....	2,950,000
1923—Bonus paid over and above appraised value of assets acquired from independents (no information as to cost to vendors of such assets).	485,816
	<hr/>
	\$6,021,991

This is of necessity only a partial picture of the difference between present book values and original cost of the assets acquired. The \$14,000,000 "invested capital" represents, in addition to the above write-ups and bonuses, an unascertained amount by which prices paid to vendors exceeded the original cost of the assets acquired.

In the final analysis, however, the earning power of the assets acquired must be taken into account in judging whether the capital was issued for adequate consideration. The fact that the purchase of a plant yields a profit to the vendor is not in itself evidence that the price paid is too great. The following table shows the earnings situation of Canadian Cannery Limited from the incorporation of the present company to date, and it will be seen that in only one year did the company succeed in earning as much as 5 per cent of the net book capital.

TABLE 28.—EARNINGS OF CANADIAN CANNERS, LIMITED, 1923-1934
(THOUSANDS OF DOLLARS)

Year	Number of Months	Amount of Net Book Capital	Earnings after Bond Interest and Depreciation		Dividends Paid
		\$	\$	%	\$
1923.....	12	11,478	350	3.1	
1924.....	12	11,842	460	3.8	
1925.....	12	12,392	480	3.9	296
1926.....	12	12,836	539	4.2	365
1927.....	12	12,971	577	4.4	442
1928.....	12	13,082	603	4.6	492
1930.....	14	14,573	† 1,248	7.3	634
1931.....	12	14,449	620	4.3	739
1932.....	12	* 12,534	* 1,303 *	10.4	612
1933.....	12	11,788	304	2.6	451
1934.....	12	11,788	342	2.9	342

*Adjusted for the sum of \$1,200,000—see comment below.

†Does not include profit in sale of can plant, \$1,079,212.

Loss.

The earnings shown above for the period, average less than three per cent on the net book capital. If the capital be reduced, however, by the amount of the write-ups previously referred to, and the remaining balance be considered the real capital, the annual earnings would be equivalent to nearly six and one-half per cent; not a high rate for a successful company.

Having regard to the position in the industry occupied by this Company, the average return on capital appears far less than might reasonably be expected. In view, therefore, of the methods followed in valuing and revaluing the fixed assets, we are led to the conclusion that such an optimistic capitalization was entirely unjustified.

There is however a further and even more important aspect to the evidence on this company, concerning the part played by the management group, and its dealings with the public. As has already been pointed out, this Company at no time sold its shares to the public. In fact not one share was ever issued for a cash consideration.

The shares, however, issued as described in the foregoing, are widely held by the public and are regularly traded in on the stock exchange. The largest registered shareholder on 15th June, 1934, was the firm of Avern Pardoe and Company, the stock-broking firm of the President of Canadian Cannery Limited. Many of these shares would, in the ordinary course, be held for clients. The control of the Company is exercised by a group of directors whose combined registered holdings aggregate less than 20 per cent of the outstanding capital.

The presence in security markets of the Company's president, with a large number of shares registered in the name of his stock-broking firm, throws a sinister light on the evidence regarding a misstatement of the Company's profits and assets in reporting to shareholders as at 29th February, 1932.

In reporting on the company's financial statements our investigators referred to unusual methods adopted in the valuation of inventories at February 29, 1932. At this date the usual basis of valuation was abandoned and stocks of merchandise were valued for balance sheet purposes at list price. The abandonment of the former basis of valuation, which incidentally was resumed in the following year, resulted in an increase in the shown value of the inventories of over \$1,200,000.

Had the inventory values not been so inflated, the company would have shown, instead of an operating profit of over \$500,000, an actual operating loss of approximately \$700,000, and a loss after all charges, except dividends in excess of \$1,250,000. In addition, dividends of \$612,053 were paid during this period. In the following year the amount of \$1,200,000 was transferred from "investment and contingent reserve" to profit and loss account. It is significant that the Company's own auditors qualified their report to the shareholders in respect of the inventory valuation and other items. The directors in their report to shareholders made an oblique reference to the possibility of inventory shrinkage and asked their approval of a transfer of \$1,200,000 from the reserve account to provide for "any non-recurring charge, such as foreign exchange, inventory revaluations and shrinkage in investments."

Having regard to all these facts, we are led to the conclusion that the profits were deliberately misstated and that the directors' report failed entirely to apprise shareholders of the true facts. The financial statement in question, to say the least, departs far from common principles of rectitude in company policy. This case appears, therefore, to combine not only the elements of unsound promotion, but is an illustration of faulty stewardship exercised by a board of directors largely influenced by promoter interests.

There is one further point in connection with the financial history of this Company to which we wish to draw attention. Included amongst the assets of Canadian Cannery Limited is an item:—

Investment for account employees' stock participation at market,
\$208,107.58.

This consists of 198 First Preference shares and 20,240 Second Preference shares of the Company's own stock, carried at approximately market value. For the purposes of this account, shares have been purchased in the open market from time to time by a subsidiary called, Walmer Securities Corporation Limited.

From this fund, First Preference shares have been sold to employees on several occasions on an extended payment plan, Canadian Cannery, Ltd., contributing part of the cost thereof. The above 198 shares represent the balance which has not been taken up by employees. The Second Preference shares have never been offered to employees.

The Company's earnings for the year ended 28th of February, 1934, included an amount of \$50,000, being the increase in market value of these securities.

In view of the foregoing, the following questions suggest themselves:—

- (1) Is it legal for this Company to carry its own shares as an asset?
- (2) Is it not misleading to the Company's shareholders to report these shares on the Balance Sheet under the caption "Investment for account Employees' Stock Participation," without any further explanation?
- (3) Is it not misleading to present and prospective investors, to include in earnings an unrealized profit on its own shares and to pay same out in dividends?
- (4) What ultimate disposition is to be made of these shares?

ANNEX V

Supplementary to Chapter V

FURTHER STATISTICS ON LABOUR AND WAGES

TABLE 29.—SIZE OF ESTABLISHMENTS, SELECTED INDUSTRIES, 1931

Industry	No. of Establishments	Gross Value of Products		Capital		Wage-Earners	
		Average per establishment	Per cent of total by establishments of \$500,000 or more	Average per establishment	Per cent of total in establishments of \$5,000,000 or more	Average per establishment	Per cent of total in establishments of 200 or more
		\$	%	\$	%		
Bread and other bakery products.....	2,912	22,000	25	19,000	29	8	14
Furniture and upholstering....	372	73,000	(a)	99,000	(a)	23	(a)
Clothing, factory, women's...	471	115,000	24	47,000	13	29	15
Furnishing goods, men's.....	167	126,000	29	100,000	46	43	31
Clothing factory, men's.....	180	189,000	39	120,000	35	46	37
Boots and shoes, leather.....	184	199,000	36	140,000	(a)	69	(a)
ALL MANUFACTURING	24,501	110,000	66	202,000	(a)	19	43
Flour and grist mills.....	372	213,000	(a)	148,000	(a)	9	(a)
Tobacco, cigars and cigarettes.....	105	723,000	96	478,000	95	70	84
Slaughtering and meat packing.....	147	800,000	(a)	425,000	(a)	50	(a)
Rubber goods, including footwear.....	48	1,098,000	95	1,405,000	96	216	89

Source: Dominion Bureau of Statistics.

(a) Not available.

TABLE 30.—AVERAGE ANNUAL WAGES, SELECTED INDUSTRIES, 1931

Industry	Wages — Earners			Average Annual Wage
	Total	Number of Females	Percentage Female to Total	
			%	\$
Bread and other bakery products.....	15,941	2,186	14	1,000
Furniture and upholstering.....	8,719	342	4	860
Clothing, factory, women's.....	13,634	10,072	74	824
Furnishing goods, men's.....	7,357	6,353	86	574
Clothing, factory, men's.....	8,340	4,212	50	853
Boots and shoes, leather.....	12,784	4,923	39	764
ALL MANUFACTURING.....	457,623	106,075	23	957
Flour and grist mills.....	3,314	121	5	967
Tobacco, cigars and cigarettes.....	7,366	4,609	64	597
Slaughtering and meat packing.....	7,288	872	12	1,052
Rubber goods, including footwear.....	10,365	3,024	39	820

Source: Dominion Bureau of Statistics.

NOTE ON THE NEEDLE TRADES

The needle trades are characterized by instability caused by seasonal variations in demand, intensified by the uncertainties of style changes, and further accentuated by the state of general disorganization produced by a large number of small establishments which,—continually being started, changing hands, failing, and closing—prevent the establishment of any recognized standards of quality or price for the product, or of managerial efficiency, or of employment conditions.

Instability in this industry is indicated by the following facts from the exhibit filed by Messrs. Scott and Cassidy. From 1926 to 1933 in Ontario, while the average number of manufacturers of men's clothing listed in Fraser's Textile Directory for the period, was 70, 60 new firms entered, and 60 old firms left the industry. In Quebec, an average of 143 firms was maintained by 139 additions and 156 disappearances. Only about 53 per cent of the Ontario and 56 per cent of the Quebec firms listed in 1926 survived to 1933. The same situation obtained for contractors, of whom, however, only about 24 per cent lasted during the seven years.

Most modern industries use complicated and expensive machinery, require heavy capital investment, and operate in large-scale plants to turn out standardized products under a highly-skilled management. In them, concentration may give rise to problems of monopolistic or semi-monopolistic practices, but at least, except perhaps in time of severe depression, the evils of cut-throat competition seldom develop.

But, in the needle trades, hand-sewing persists and machinery, if used at all, is limited to inexpensive sewing machines. One can enter the business on a small scale with very little capital investment and no previous managerial experience. This is particularly true in those branches where the use of the "contractor" is common.

There are two types of "manufacturers": The first operates an "inside shop," viz.: he buys the raw material, fabricates it in his own factory with his own employees, and sells the product either to jobbers or direct to retailers; the second buys the material and cuts it, but has the making of the garments done by contractors at a fixed price per garment.

There are four types of contractors:—

- (1) The contractor who operates on the premises of the manufacturer but engages his own employees and "makes" the garment for the manufacturer at a contract price per garment. Sometimes the manufacturer owns the machines, sometimes, the contractor.
- (2) The independent contractor who maintains his own premises and solicits work from several manufacturers.
- (3) The controlled contract shop operating under a different name, generally in a country district, but owned by a manufacturer, who often has several such shops located at different points.
- (4) The contractor who maintains no establishment at all but distributes work to be done by employees at home. Contractors often have certain operations performed elsewhere by "sub-contractors," who may sublet the work again. There may, therefore, be several intermediaries between the actual worker and the manufacturer who sells the product to the retail trade.

In addition to the census information of the Dominion Bureau of Statistics and the study of the industry made by Professors Scott and Cassidy, filed as Exhibit 17, we had reports from our auditors on 109 needle trade firms—30 in Toronto, 56 in Montreal, 9 in smaller Quebec towns, and 14 in Winnipeg. Of these, not counting the factories of Eaton's and Simpson's, there were 3 jobbers, 50 manufacturers, and 54 contractors; 73 in men's clothing and furnishings, 31

in women's clothing, and 3 miscellaneous. Our auditors, further, made a very comprehensive inquiry into the wages in the industry. This inquiry was made by the circulation of questionnaires to 858 companies. The questionnaire contained requests for information under 23 separate headings covering form of organization, operations and products, marketing methods, sales analysis, employment, wages, and operating results. Copies of actual pay-rolls and standard pay-roll summaries for two periods, one in September, 1933, and the other in September, 1934, were requested. Satisfactory returns were obtained from 453 firms located as follows:—

TABLE 31.—NEEDLE TRADES, LOCATION OF ESTABLISHMENTS ANSWERING COMMISSION QUESTIONNAIRE

Location	Number of Factories				
	Group LMG	Group MBF	Group MW	Group H	Group Total
Maritime Provinces.....	1		4		5
P.Q., excluding Montreal.....	2	5	16		23
Montreal.....	145	55	20	5	225
Ont., excluding Toronto.....	9	6	15		30
Toronto.....	110	10	17	5	142
Prairie Provinces, excluding Winnipeg.....	1		2		3
Winnipeg.....	6	1	10		17
B.C.....	5		3		8
Totals.....	279	77	87	10	453

Key: LMG—Ladies' and Misses Garments.
 MBF—Men's Fine and Boys' Clothing.
 MW—Men's Working Clothing.
 H—Ladies' Handbags.

Source: Exhibit 440.

These same designations of the different industries will be used in later tables.

Of these firms, 50 had all their manufacturing done by contractors and 70 others reported some portion of their work contracted out. A list of 371 contractors was received, of whom 263 were in Montreal; 41, elsewhere in the province of Quebec; 61, in Toronto; 3, elsewhere in Ontario; and 3 elsewhere.

Striking evidence of the inadequate employment records kept in the needle trades is found in the fact that records for all employees of hours worked, were available in only 203 of these firms in 1933 and 271 in 1934. A few additional firms kept records of the hours worked by particular groups of workers only, but in 1933, 226 of these firms had no record of hours at all.

TABLE 32.—NEEDLE TRADES, NORMAL HOURS OF LABOUR

(Number of companies operating specified *normal* hours per week, by branch of industry).

Hours per week	Number of Companies				
	LGM	MBF	MW	H	Total
35 hours and under.....	2		1		3
33 to 40 hours.....	5	3	6		14
41 to 45 hours.....	143	49	32	4	228
46 to 50 hours.....	107	13	31	5	156
Over 50 hours.....	3	3	12		18
Not answered.....	19	9	5	1	34
Total.....	279	77	87	10	453

Source: Exhibit 440.

TABLE 33.—NEEDLE TRADES, AVERAGE ANNUAL WAGES, 1934

(by location, and branch of industry).

Location	Ladies and Misses' Garments			Men's Fine and Boys' Clothing			Men's Work Clothing, etc.		
	No. of Factories	No. of Em- ployees	Average Annual Wage	No. of Factories	No. of Em- ployees	Average Annual Wage	No. of Factories	No. of Em- ployees	Average Annual Wage
			\$			\$			\$
Maritime Provinces.....	1	12	425	.....	.....	.....	4	199	371
P.Q., excluding Montreal..	1	110	372	4	508	576	14	1,490	385
Montreal.....	97	4,439	672	15	1,219	776	9	979	543
Ont., excluding Toronto...	8	300	555	6	416	810	13	710	568
Toronto.....	73	1,975	707	9	618	1,068	13	332	682
Prairie Provinces, exclud- ing Winnipeg.....	1	18	589	.....	.....	.....	2	258	546
Winnipeg.....	6	193	558	1	59	703	8	442	561
B.C.....	4	80	601	.....	.....	.....	2	92	710
Total or Average.....	191	7,127	668	35	2,820	808	65	4,492	503

Source: Exhibit 440.

TABLE 34.—NEEDLE TRADES, AVERAGE (MEDIAN) HOURLY EARNINGS, SEPTEMBER, 1934
(by location, branch of industry, age and sex)

A—Experienced Workers

B—Inexperienced Workers

Location	Ladies' and Misses' Garments				Men's Fine and Boys' Clothing				Men's Work Clothing, etc.			
	No. of Factories	Adult Males	Youths	Females	No. of Factories	Adult Males	Youths	Females	No. of Factories	Adult Males	Youths	Females
		cts.	cts.	cts.		cts.	cts.	cts.		cts.	cts.	cts.
A												
Maritime Provinces.....	1	30.5	14.3	14.0	.....	.....	.....	.....	2	32.8	.....	17.8
P.Q., excluding Montreal.....	1	55.0	35.0	.....	4	42.6	23.3	20.8	16	33.4	16.6	18.9
Montreal.....	95	52.5	18.4	32.1	12	55.8	25.0	32.5	9	41.6	19.5	25.9
Ont., excluding Toronto.....	9	40.7	27.1	24.7	6	54.1	32.8	35.2	13	43.4	22.5	26.0
Toronto.....	57	52.9	30.1	36.0	7	73.6	25.0	36.8	13	49.3	33.5	33.0
Prairie Provinces, excluding Winni- peg.....	1	36.0	.....	29.3	.....	.....	.....	.....	2	49.4	28.4	30.8
Winnipeg.....	3	38.7	.....	28.6	1	42.8	21.8	29.1	7	49.2	28.4	27.5
British Columbia.....	4	58.4	.....	30.6	.....	.....	.....	.....	3	59.7	.....	38.1
B												
Maritime Provinces.....	1	.....	.....	.....	.....	.....	.....	.....	2	.....	15.3	12.7
P.Q., excluding Montreal.....	1	.....	13.2	12.1	4	17.5	12.0	14.0	16	17.2	10.4	13.8
Montreal.....	95	28.9	15.6	19.8	12	32.2	15.7	19.9	9	19.4	14.6	18.2
Ontario, excluding Toronto.....	9	18.3	17.7	21.1	6	33.4	21.3	23.0	13	18.4	16.2	18.5
Toronto.....	57	27.2	23.9	25.1	7	25.9	21.9	26.3	13	.....	18.2	26.8
Prairie Provinces, excluding Win- nipeg.....	1	31.8	.....	26.6	.....	.....	.....	.....	2	29.5	24.9	23.7
Winnipeg.....	3	25.5	.....	20.0	1	.....	.....	19.5	7	26.7	20.4	24.4
British Columbia.....	4	.....	.....	20.4	.....	.....	.....	.....	3	37.6	31.9	23.4

Source: Exhibit 440.

TABLE 35.—MEN'S FINE CLOTHING INDUSTRY, COMPARISON OF AVERAGE HOURLY EARNINGS, WEEKLY WAGE RATES (a), AND MINIMUM WAGE/LAW VIOLATIONS, FOR SELECTED FIRMS, SPRING 1934

	Toronto Manufacturers			Montreal Manufacturers			Victoria-ville, P.Q. mfrs.	Montreal Contractors	St. Therese, P.Q. Contractors		
	Union	Non-Union		Union		Non-Union	Non-Union	Non-union in Hyde Park	Non-Union and "controlled" by Montreal mfrs.		
		Ontario Boys' Wear (g)	Eaton's	Samuelson	S. Rubin	Hyde Park				Rubin Bros.	Guarantee Pants	Forman	Paquin	Cyr
	Tip Top	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.
Actual Average Hourly Earnings (in cents)—											
All wage-earners.....	53.7	27.2	42.5	35.8	41.7	24.6	21.6	18.4	(b)	10.6	8.8
Male wage-earners.....	65.1	27.0	57.5	42.2	51.7	22.6	27.0	16.5	36.0	(d) 7.7	(d) 6.0
All Female wage-earners.....	35.6	27.3	33.7	27.6	27.7	26.1	19.5	30.7	28.0	12.1	9.2
Experienced Female wage-earners.....	37.9	29.1	34.7	29.0	29.3	30.0	19.7	(b)	(c)	12.4	12.5
Inexperienced Female wage-earners.....	24.5	23.1	20.7	15.7	19.9	21.2	16.0	(b)	(c)	11.1	8.3
Calculated Weekly Wage Rates (a)—											
All wage-earners.....	\$ 23.63	\$ 11.96	\$ 18.70	\$ 15.75	\$ 18.35	\$ 10.82	\$ 9.50	\$ 8.10	(b)	\$ 4.24	\$ 3.87
Male wage-earners.....	28.64	11.88	25.30	18.57	22.75	9.94	11.88	7.26	15.84	(d) 3.08	(d) 2.64
Female wage-earners.....	15.66	12.01	14.73	12.14	12.19	11.48	8.58	13.51	12.32	(d) 5.32	(d) 3.65
Percentages of Female Workers classed as Inexperienced (Legal Maximum 50%).....	% 3.4	% 32	% 7	% 10	% 18	% 44	% 27	% 38	% 95	% 80	% 70
Illegal Percentage of all Females paid at less than Minimum rate.....		(f)	(e)	% 47	.....	(e)	% 25	% 29	% 40	% 100	% 100

Source: Exhibits 227 and other auditors' reports.
 (a) Full time rates are calculated on the basis of a week of 44 hours. These rates have no reference to actual hours worked.
 or actual weekly earnings.

(b) Not obtained.

(c) Not available.

(d) Boys 14-18 years only.

(e) Employees are "bonused" to comply with law.

(f) Previously convicted for violation.

(g) Now claims to be a union shop.

ROYAL COMMISSION ON PRICE SPREADS

TABLE 36—COMPARISON OF MANUFACTURING COSTS OF COMPARABLE MEN'S SUITS PRIOR TO SEPTEMBER, 1933

(Ready-made suits and two pairs of trousers)

Firm (see Key below)	I	II	III	IV	V	VI	VII
	\$	\$	\$	\$	\$	\$	\$
Labour (Direct)—							
Coat—own shop.....	1.30	1.51	1.60	2.00	1.79	2.00	2.34
Vest—own shop.....	0.23				0.38		0.48
contractor.....		0.31	0.34	0.30		0.30	
Trousers (2)—own shop.....	0.54				0.84		1.13
contractor.....		0.60	0.86	1.00		0.90	
Cutting.....	0.55	0.45	0.47	0.70	0.56	0.41	0.60
Other Labour (Direct).....					0.09		0.16
Total Direct Labour.....	2.62	2.87	3.27	4.00	3.65	3.61	4.71
Trimmings.....	2.06	1.73	2.15	2.50	2.17	1.89	2.73
Overhead (including indirect labour).....	1.12	0.46	0.50	0.50	1.50	1.86	2.23
Total Cost exclusive of Cloth.....	5.80	5.06	5.92	7.00	7.33	7.36	9.67

Key: I Rubin Bros. Ltd., Victoriaville. V Tip Top Tailors Ltd., Toronto.
 II S. Rubin Ltd., Montreal. VI Robert Simpson Co. Ltd., Toronto.
 III Hyde Park Clothes Ltd., Montreal. VII T. Eaton Co. Ltd., Toronto.
 IV Samuelson Ltd., Montreal.

Source: Exhibit 227 and other Auditors' reports.

TABLE 37.—MEN'S SUITS, DIRECT LABOUR AND MATERIAL COSTS, AND GROSS MARGINS OF PROFIT, 1933

(Eight shipments of suits, produced by four different manufacturers and sold by two Toronto department stores).

	I	II	III	IV	V	IV	VII	VIII
	\$	\$	\$	\$	\$	\$	\$	\$
1. Retail price.....	29.50	25.00	29.50	25.00	25.00	20.00	15.00	15.00
2. Cost of Material.....	11.15	11.15	10.60	8.80	8.89	7.87	6.75	6.20
3. Cost of Direct Labour.....	3.27	3.27	4.00	4.00	4.00	2.94	2.94	3.32
4. Manufacturer's Gross Margin(a).....	1.83	1.83	3.40	3.20	3.21	2.04	0.56	0.48
5. Retailers' Gross Margin.....	12.19	7.69	10.35	7.97	7.97	6.31	4.07	4.24
6. Total material and Labour (2+3).....	14.42	14.42	14.60	12.80	12.89	10.81	9.69	9.62
7. Total Manufacturers' and Retailers' Margin (4+5).....	14.02	9.42	14.75	11.17	11.18	8.35	4.63	4.72
8. Percentage Direct Labour to Sale Price (3÷1).....	12%	14%	14%	16%	16%	18%	20%	22%
9. Percentage Total Material and Labour to Price (6÷1).....	49%	58%	49%	51%	52%	54%	65%	64%
10. Percentage Total Margin to Price (7÷1).....	41%	38%	50%	45%	45%	42%	31%	31%

(a) Including overhead.

Source: Exhibit 227, Statement Q. 12 (Freight and Sales Tax omitted.).

TABLE 38.—LEATHER BOOT AND SHOE INDUSTRY, COMPARISON OF AVERAGE HOURLY EARNINGS, WEEKLY WAGE RATES, AND MINIMUM WAGE LAW VIOLATIONS, EIGHT QUEBEC FIRMS, SPRING, 1934

Firm (See Key below)		I (b)	II	III	IV	V	VI	VII	VIII
AVERAGE ACTUAL HOURLY EARNINGS (in cents)		13-2c. 10-9c. 5-4c.	13-7c. 10-9c. 4-2c.	14-4c. 15-4c. 5-2c.	15-4c. 16-4c.	18-2c. (d)	19-2c. 16-0 (e)	22-9c. (d)	25-7c. (d)
Percentage of females paid 10c. or less per hour.....		20%	17%	2%	1%	12%	2%	0	0
Percentage of males paid 10c. or less per hour.....		64%	60%	38%	18%	31% (e)	2% (e)	(d)	(d)
CALCULATED FULL TIME WEEKLY WAGE RATES (a) (in dollars)		6.34 5.09 2.59	6.58 5.23 2.02	6.91 7.39 2.50	7.39 7.87	8.74 (d)	9.21 7.68	10.99 (d)	12.34 (d)
ACTUAL WEEKLY EARNINGS (f), male		25% 81%	58% 86%	28% 73%	12% 75%	18% 48%	8% 54%	21% 46%	5% 24%
Illegal percentage of females classified as "Inexperienced" (legal maximum 50%).....									
Illegal percentage of females paid less than minimum rate (legal maximum 20%).....		100% 83%	83% 35%	80%	55% 45% (g)	66% 38%	80% 38%		

Source: Exhibit 226, Committee evidence p. 3678-3732.

Key: I La Diva Shoe Co. Ltd., Richmond, P.Q.

II Valley Shoe Co. Ltd., Valley Junction, P.Q.

III Joseph Tanguay, Limitee, Beauveville, P.Q.

IV La Regina Shoe Co. Ltd., Ste-Marie de Beauce, P.Q.

(a) Weekly wages rates calculated on a 48 hour basis, without reference to number of hours actually worked.

(b) Not including 15 family homeworkers paid at \$1.50 per family per day.

(c) Sample only, not complete payroll.

(d) Not available.

(e) Time workers only.

(f) Including overtime in some cases up to 55 hours per week or more.

(g) In computing this figure the auditors classified employees as experienced or inexperienced according to their length of service in months. The company, however, classifies them according to the number of hours actually worked. On this basis, the company does not have an illegal percentage paid less than the minimum wage.

V Grand'Mere Shoe Co. Ltd., Grand'Mere, P.Q.

VI Dependable Slipper Mfg. Co., Montreal, P.Q.

VII J. A. & M. Cote, Limitee, Ste-Hyacinthe, P.Q.

VIII A. E. Marois, Ltd., Quebec, P.Q.

TABLE 39—FURNITURE INDUSTRY, AVERAGE ACTUAL WEEKLY EARNINGS, MEN.

(No. factories paying specified average amounts and No. and per cent distribution of their adult male wage-earners, 1933).

Amount	No. of factories	Men	
		No.	Per cent
\$3.01-\$5.00.....	1	17	1.2
\$5.01-\$7.00.....	2	111	8.1
\$7.01-\$9.00.....	7	343	25.1
\$9.01-\$11.00.....	8	412	30.1
\$11.01-\$13.00.....	4	258	18.8
\$13.01-\$15.00.....	4	228	16.7
Total.....	26	1,369	100.0

Source: Exhibit 404.

TABLE 40—FURNITURE INDUSTRY, AVERAGE HOURLY WAGE RATES, MEN.

(No. of factories paying specified average rates and No. and per cent distribution of their adult male wage-earners, 1933).

Amount	No. of factories	Men	
		No.	Per cent
15.1c.-20c.....	3	108	7.9
20.1c.-25c.....	9	498	36.4
25.1c.-30c.....	9	466	34.0
30.1c.-35c.....	3	178	13.0
35.1c.-40c.....			
40.1c.-45c.....	2	119	8.7
Total.....	26	1,369	100.0

Source: Exhibit 404.

The figures represent averages over 6 months period.

TABLE 41—BAKING INDUSTRY, SELECTED COMPANIES, AVERAGE WEEKLY WAGES, JUNE, 1933, BY OCCUPATIONS

	All Em- ployees	Foremen	Mixers	Bench- workers	Oven- tenders	Wrappers	Packers	Delivery	Shippers	Inspectors	Labourers	Other	Increase in Wages as Compared with 1930
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<i>Montreal—</i>													
Company B.....	20.32	40.35	25.00	17.81	20.69	16.25	20.15	19.23	14.35	37.23	19.08	—	21
Company B.....	20.53	56.25	20.71	14.54	19.32	11.66	22.97	21.45	—	40.01	16.58	—	21
Company C.....	—	42.00	28.00	18.00	24.00	—	18.00	18.00 to	21.00	35.00	15.00 to	10.00 to	—
Company A.....	19.91	36.00	24.00	20.00	17.00	15.50	20.00	22.00	21.00	30.00	23.00	35.00	—
Company H.....	16.70	30.00	—	15.00	17.00	11.00	10.00	20.90	—	20.00	17.00	17.30	14
Company K.....	22.50	35.50	23.33	—	19.44	22.97	20.42	—	25.00	—	20.00	10.00	28
<i>Toronto—</i>													1
Company A.....	22.41	43.50	27.00	21.00	24.00	17.00	—	22.50	—	30.00	21.10	21.50	19
Company A.....	21.74	33.00	26.50	20.00	22.00	16.00	18.00	22.31	23.20	29.00	18.00	21.60	19
Company B.....	20.77	36.16	22.43	17.64	21.00	13.06	21.77	20.51	21.89	34.68	21.25	—	22
Company C.....	24.26	45.46	24.60	19.62	21.97	17.41	20.81	24.93	19.05	35.80	34.12	13.00	11
Company K.....	19.75	52.50	27.33	19.20	18.65	12.37	—	—	20.13	—	18.84	19.09	24
<i>Hamilton—</i>													
Company A.....	20.16	33.00	18.70	18.70	17.00	14.30	14.85	20.80	22.00	25.35	14.85	20.35	24
Company B.....	24.08	40.00	30.50	21.60	—	15.00	24.25	24.50	—	37.50	21.50	—	13
<i>Ottawa—</i>													
Company A.....	20.28	25.00	21.75	18.20	17.75	15.00	12.65	20.35	19.00	28.15	—	—	25
Company C.....	22.00	46.50	24.50	19.50	21.50	14.50	18.00	22.00	24.00	32.00	20.00	18.00	9
<i>Windsor—</i>													
Company A.....	22.13	50.00	24.00	24.00	25.00	14.00	19.00	22.73	24.00	28.00	20.00	17.90	10
Company F.....	—	55.00	18.00 to	12.00 to	27.00 to	12.00 to	19.00	22.00	21.00	32.00	—	17.00 to	—
Company F.....	—	55.00	42.00	25.00	28.00	25.00	27.00	—	—	—	—	66.00	—
Company Z.....	20.27	43.00	30.00	20.50	22.50	—	—	20.00	11.00	—	—	12.00	15
<i>Vancouver—</i>													
Company G.....	23.41	40.70	29.60	26.15	28.75	16.60	22.15	22.10	27.20	31.00	21.55	26.15	19
Company F.....	21.90	38.75	28.50	26.00	27.50	12.00	15.00	19.75	24.00	30.50	21.00	—	18

Source: Exhibit 386. These companies employed 5,913 workers, about 40 per cent of the total in the industry.

ROYAL COMMISSION ON PRICE SPREADS

TABLE 42.—FLOUR MILLING INDUSTRY, ACTUAL EARNINGS IN A TYPICAL MILL FOR A TWO-WEEK PERIOD, 1934

	Number of employees	Maximum	Minimum	Average
		\$	\$	\$
Elevator—				
Unloading.....	25	37.80	30.60	32.50
Unloading—extras.....	6	32.25	5.33	19.44
Loading.....	6	6.08	2.55	6.05
Elevator.....	8	92.81	44.63	63.96
Wheat cleaning.....	10	63.90	32.38	44.90
Milling—				
Bolters.....	5	87.68	54.90	67.20
Grinders.....	4	70.30	66.03	67.93
Roll tenders.....	3	44.40	27.05	38.52
Purifiers.....	2	70.30	53.80	64.55
Bleachers.....	2	46.50	45.00	45.75
Oilers.....	1	57.50		57.50
Sweepers.....	8	48.33	32.00	36.81
Packers.....	24	63.54	33.40	45.27
Blending—extras, etc.....	6	61.20	30.39	42.31
Power and light.....	6	69.85	55.63	67.70
Heat.....	3	68.00	55.60	63.60
Millwrights.....	6	97.50	45.00	66.46
Machinists.....	4	78.00	43.88	57.53
Yardmen.....	3	45.50	34.10	38.40
Watchmen.....	3	57.20	53.83	55.42
Miscellaneous.....	9	62.80	40.00	52.06
Warehousemen, etc.....	49	65.03	30.55	42.35
Warehouse (utility).....	15	20.18	2.75	9.83

Source: Exhibit 386.

TABLE 43.—FLOUR MILLING INDUSTRY, GOING RATES OF WAGES, AUGUST, 1934

	Maximum	Minimum
	\$	\$
Mill—		
Millers.....	416.66	224.25
2nd Millers.....	175.00	.50
Grinders.....	.65	.30
Bolters.....	.55	.38 $\frac{1}{2}$
Purifiers.....	.47 $\frac{1}{2}$	.30
Smelters.....	.42 $\frac{1}{2}$	.33 $\frac{1}{4}$
Oilers.....	.40	.25
Sweepers.....	.35	.25
Flour Packers—Foreman.....	.64	.40
Flour Packers.....	.45	.25
Feed Packers.....	.64	.30
Labourers.....	.40	.27 $\frac{1}{2}$
Watchmen.....	.40	.23 $\frac{1}{2}$
Elevator—		
Foreman.....	175.00	.40
Weighmen.....	.67 $\frac{1}{2}$	.25
Unloaders.....	.47 $\frac{1}{2}$	.30
Others.....	.67 $\frac{1}{2}$	.27 $\frac{1}{2}$
Power—		
Engineer.....	204.00	.50
Firemen.....	.60	.32 $\frac{1}{2}$
Electricians.....	262.45	.45 $\frac{1}{2}$
Electricians' helpers.....	.55	.25
Warehouse—		
Foreman.....	175.00	.38 $\frac{1}{2}$
Help.....	.50	.26 $\frac{1}{2}$
Checkers.....	.45	.32 $\frac{1}{2}$
Millwright & helpers.....	180.00	.27 $\frac{1}{2}$
Tinsmiths.....	.70	.45
Steamfitters.....	.65	.44 $\frac{1}{2}$
Carters.....	.37 $\frac{1}{2}$	.32 $\frac{1}{2}$
Truck Drivers.....	.43 $\frac{1}{2}$	.35
Truck Drivers' helpers.....	.38 $\frac{1}{2}$	.30
Storekeepers.....	100.00	95.00
Miscellaneous.....	.37 $\frac{1}{2}$	.25

All rates shown in dollars are per month; the others are hourly rates.

Source: Exhibit 386.

TABLE 44.—SLAUGHTERING AND MEAT PACKING INDUSTRY, NO. OF WAGE-EARNERS AND AVERAGE ANNUAL WAGES, 1933

(by size of plant)

Number of wage-earners employed	No. of Establishments	No. of wage-earners		Percentage of females to total wage-earners	Average annual wage
		Male	Female		
				%	\$
Under 5.....	56	107	10	8.6	727
6 to 10.....	22	158	17	9.7	862
11 to 25.....	21	341	26	7.1	972
26 to 50.....	6	212	4	1.9	1,053
51 to 100.....	11	779	45	5.5	1,083
101 to 200.....	10	1,225	104	7.8	909
201 and over.....	9	3,619	625	14.7	910
Total.....	135	6,441	831	11.4	933

SOURCE: Dominion Bureau of Statistics.

TABLE 45.—SLAUGHTERING AND MEAT PACKING INDUSTRY, SELECTED PLANTS, WEEKLY EARNINGS, 1934

(Percentage of employees receiving specified amounts per week)

	Canada Packers Limited			Gainers Limited	F. Hunnissett Jr.	Swift Canadian Company Limited		Wilsil Limited	Burns & Co. Ltd.
	Toronto	Hull	Peterborough	Edmonton	Toronto	Toronto	Edmonton*	Montreal	Calgary
Total number of employees.....	1,191	125	132	161	38	546	319	370	273
Percentage of total at—	%	%	%	%	%	%	%	%	%
\$ 7.50 to \$10.00 per week.....	.16	26.40	9.10	4.35	.....	.....	.....	10.54	.37
\$10.01 to \$12.50 ".....	.54	12.80	9.09	6.84	3.94	1.00	2.99	7.30	9.52
\$12.51 to \$15.00 ".....	21.89	4.80	19.70	18.63	3.95	2.47	26.80	22.97	30.40
\$15.01 to \$17.50 ".....	11.71	13.60	12.49	22.05	18.41	13.10	24.47	19.06	10.62
\$17.51 to \$20.00 ".....	19.35	21.60	24.62	10.25	18.42	21.69	19.43	17.97	16.12
\$20.01 to \$22.50 ".....	17.97	6.40	12.51	14.60	13.17	22.53	12.69	8.78	15.03
\$22.51 to \$25.00 ".....	14.94	4.80	3.40	6.52	23.70	15.02	7.05	10.68	3.30
\$25.01 to \$27.50 ".....	4.58	4.00	3.03	5.59	2.63	9.44	1.25	1.22	2.93
\$27.51 to \$30.00 ".....	3.23	4.00	3.03	3.10	5.26	4.12	.94	.94	2.56
\$30.01 to \$32.50 ".....	1.40	.80	1.52	3.10	10.52	4.31	1.41	.27	4.03
\$32.51 to \$35.00 ".....	1.30	.80	1.51	.62	.....	2.84	2.97	.27	1.83
\$35.01 to \$37.50 ".....	1.30	.....	.....	3.10	.....	.64	.....	.....	1.83
\$37.51 to \$40.00 ".....	.79	.....	.....	1.24	.....	.83	.....	.....	.73
\$40.01 to \$42.50 ".....	.38	.....	.....	.....	.....	.28	.....	.....	.73
\$42.51 to \$45.00 ".....	.38	.....	.....	.....	.....	.28	.....	.....	.....
\$45.01 to \$47.50 ".....	.....	.....	.....	.....	.....	.28	.....	.....	.....
\$47.51 to \$50.00 ".....	.....	.....	.....	.....	.....	.27	.....	.....	.....
\$50.01 and over. ".....	.08	.....	.....	.....	.....	.91	.....	.....	.....
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Period covered—Week ended (1934)	Mar. 22	Mar. 21	Mar. 29	½ Month Mar. 31	Mar. 22	Mar. 24	Mar. 30	Mar. 24	Mar. 24
Average wage.....	\$20.13	\$15.89	\$17.29	\$19.01	\$21.35	\$22.52	\$18.05	\$16.54	\$18.64

* The wage spread at this branch does not take into consideration bonuses of \$21,239 paid during week ended March 30, 1934, in addition to the regular payroll of \$5,372.67.

SOURCE: Committee Evidence, pages 2237-2432.

TABLE 45A.—SLAUGHTERING AND MEAT PACKING INDUSTRY, SELECTED PLANTS, WEEKLY EARNINGS, 1934

(Percentage of workers receiving specified amounts per week)

	\$7.50 to \$20.00	\$20.01 to \$30.00	\$30.01 and over
	%	%	%
Canada Packers Limited—			
Toronto.....	53.65	40.72	5.63
Hull.....	79.20	19.20	1.60
Peterborough.....	75.00	21.97	3.03
Swift Canadian Co. Ltd.—			
Toronto.....	38.26	51.11	10.63
Edmonton.....	73.69	21.93	4.38
Burns & Company Ltd.—			
Calgary.....	67.03	23.82	9.15
Wilsil Limited—			
Montreal.....	77.84	21.62	0.54
Gainers Limited—			
Edmonton.....	62.13	29.71	8.06
F. Hunnisett Jr.—			
Toronto.....	44.72	44.76	10.52

Source: Committee Evidence, pages 2237-2432.

TABLE 46.—FRUIT AND VEGETABLE PREPARATION INDUSTRY, NUMBER OF EMPLOYEES, 1933

(by months)

Month	Male	Female	Total
January.....	1,416	1,220	2,636
February.....	1,346	1,141	2,487
March.....	1,412	1,207	2,619
April.....	1,405	1,119	2,524
May.....	1,609	1,480	3,089
June.....	1,993	2,060	4,053
July.....	3,221	3,580	6,801
August.....	3,541	5,957	9,498
September.....	5,518	8,734	14,252
October.....	4,193	6,018	10,211
November.....	2,818	3,918	6,736
December.....	1,789	1,669	3,458
Monthly Average.....	2,548	3,185	5,733

Source: Dominion Bureau of Statistics.

TABLE 47.—FRUIT AND VEGETABLE PREPARATION INDUSTRY, SELECTED PLANTS, AVERAGE HOURLY EARNINGS, SEPTEMBER, 1929-1933

	1929	1930	1931	1932	1933	Decrease 1930-1933
	Cents	Cents	Cents	Cents	Cents	%
<i>Canning Factories</i>						
Canadian Cannery Ltd.—All employees—						
Kingsmill, Ont.....		26.84	26.00	20.26	21.24	20.9
Picton, Ont.....	24.95	25.43	24.14	21.10	20.36	19.9
St. Catharines, Ont.....	28.18	27.46	22.97	22.26	21.39	22.2
St. Isidore, Que.....	23.87	23.30	23.10	19.84	16.88	27.6
Grimsby, Ont.....	27.50	25.35	23.17	20.75	21.31	16.1
Culverhouse Canning Co.—All employees.....		25.30	24.70	24.20	21.40	15.4
J. A. Daboll & Son—All employees.....		22.60	22.30	23.80	21.80	3.5
E. D. Smith & Sons Ltd.—All employees.....		21.90	19.90	19.10	15.70	28.3
Culverhouse Canning Co.—Males.....		31.80	29.40	29.00	24.50	23.0
J. A. Daboll & Son—Males.....		29.10	25.60	27.20	23.60	18.9
E. D. Smith & Sons Ltd.—Males.....		28.40	25.30	20.80	17.50	38.4
Culverhouse Canning Co.—Females.....		20.30	20.40	20.60	18.50	8.9
J. A. Daboll & Son—Females.....		20.40	19.90	20.00	20.00	2.0
E. D. Smith & Sons, Ltd.—Females.....		17.30	17.00	17.30	14.20	17.9
<i>Jam Factories</i>						
Canadian Cannery Ltd.—Males.....	39.23	40.38	34.88	34.75	32.09	20.6
Associated Quality Cannery Ltd.—Males.....	38.03	39.00	36.77	36.97	37.13	4.8
Canadian Cannery Ltd.—Females.....	23.78	22.12	21.40	21.30	18.99	14.2
Associated Quality Cannery Ltd.—Females.....	23.29	23.59	23.32	23.28	23.27	1.0

Source: Exhibit 382.

TABLE 48.—TOBACCO MANUFACTURING INDUSTRY, NUMBER OF WAGE-EARNERS AND AVERAGE ANNUAL WAGES, 1933

(by size of plant)

Number of Wage-earners employed	Number establish- ments	Number of Wage-earners		Per cent of females to total wage- earners	Average annual wage
		Male	Female		
				%	\$
Under 5.....	86	119	45	27.4	466
6 to 10.....	8	32	29	47.5	386
11 to 25.....	14	110	123	52.8	581
26 to 100.....	7	114	139	54.9	391
101 to 200.....	4	193	344	64.1	514
201 and over.....	8	1,652	3,478	67.8	571
Total or Average.....	127	2,220	4,158	65.2	555

Source: Dominion Bureau of Statistics.

TABLE 49.—TOBACCO INDUSTRY, SELECTED ESTABLISHMENTS, ACTUAL WEEKLY EARNINGS, OCTOBER, 1933
(Number of Employees Receiving Specified Weekly Earnings, by Sex)

	Firm I		Firm II		Firm III		Firm IV		Firm V		Firm VI		Firm VII		Firm VIII		Firm IX	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Less than \$5.00.....	13	21	31	.....	.....	.....	14	65	8	7	3	13	.....	1	2	.....	3	2
\$ 5.01 to \$ 6.00.....	23	33	6	.....	.....	.....	74	38	16	38	7	10	.....	4	1	.....	5	5
6.01 to 7.00.....	17	58	5	.....	.....	2	102	41	.....	1	1	34	.....	6	2	.....	9	17
7.01 to 8.00.....	5	51	.....	.....	.....	18	182	19	.....	5	5	16	.....	.....	.....	.....	1	13
8.01 to 9.00.....	.....	.....	.....	.....	.....	19	163	20	.....	1	4	30	.....	1	1	.....	9	24
9.01 to 10.00.....	10	96	1	.....	.....	12	203	27	.....	.....	10	23	.....	8	3	.....	12	35
10.01 to 11.00.....	16	439	2	.....	.....	7	.....	8	.....	.....	5	15	.....	2	6	.....	10	38
11.01 to 12.00.....	9	24	3	.....	.....	17	139	3	.....	.....	20	11	.....	3	.....	.....	13	50
12.01 to 13.00.....	14	31	.....	.....	.....	14	131	1	.....	.....	9	16	.....	1	1	.....	13	49
13.01 to 14.00.....	13	30	2	.....	.....	31	24	.....	.....	.....	15	5	.....	4	9	.....	15	30
14.01 to 15.00.....	48	5	.....	.....	.....	34	32	.....	.....	.....	18	7	.....	2	2	.....	6	13
15.01 to 16.00.....	49	3	.....	.....	.....	58	10	.....	.....	.....	13	8	.....	1	1	.....	11	19
16.01 to 17.00.....	92	.....	.....	.....	.....	53	53	.....	.....	.....	4	14	.....	6	4	.....	1	14
17.01 to 18.00.....	.....	.....	.....	.....	.....	49	.....	2	.....	.....	3	11	.....	1	1	.....	8	8
18.01 to 19.00.....	36	.....	.....	.....	.....	30	6	.....	.....	.....	4	19	.....	7	5	.....	10	5
19.01 to 20.00.....	32	.....	.....	.....	.....	23	.....	6	.....	.....	6	2	.....	4	8	.....	3	5
20.01 to 21.00.....	9	.....	.....	.....	.....	15	.....	5	.....	.....	9	3	.....	2	2	.....	2	2
21.01 to 22.00.....	.....	.....	.....	.....	.....	12	.....	3	.....	.....	2	1	.....	3	1	.....	.....	.....
22.01 to 23.00.....	14	1	.....	.....	.....	7	.....	8	.....	.....	1	.....	.....	3	3	.....	.....	.....
23.01 to 24.00.....	.....	.....	.....	.....	.....	1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
24.01 to 25.00.....	9	.....	.....	.....	.....	13	.....	6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
25.01 to 26.00.....	11	.....	.....	.....	.....	12	.....	1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
26.01 to 27.00.....	.....	.....	.....	.....	.....	55	.....	4	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
27.01 to 28.00.....	.....	.....	.....	.....	.....	11	.....	5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
28.01 to 29.00.....	.....	.....	.....	.....	.....	3	.....	2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
29.01 to 30.00.....	.....	.....	.....	.....	.....	8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
30.01 to 31.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
31.01 to 32.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
32.01 to 33.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
33.01 to 34.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
34.01 to 35.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
35.01 to 36.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
36.01 to 37.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
37.01 to 38.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
38.01 to 39.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
39.01 to 40.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
40.01 to 41.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
41.01 to 42.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
42.01 to 43.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
43.01 to 44.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
44.01 to 45.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
45.01 to 46.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
46.01 to 47.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
47.01 to 48.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
48.01 to 49.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
49.01 to 50.00.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
50.01 and over.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total employees.....	533	822	34	70	12	12	491	1,124	291	226	154	239	92	285	86	219	160	332
Average wage.....	\$12.80		\$11.34		\$15.08		\$12.22		\$10.64		\$12.47		\$12.41		\$16.03		\$12.89	
Percentage decrease in average wages since 1929.....	8%		4%		27%		20%		24%		27%		17%		24%		12%	
Percentage of female employees to total.....	61%		67%		50%		70%		44%		61%		76%		72%		67%	

(c) For September, 1933.
KEY: I—W. C. MacDonald, Inc., Montreal, Que.
II—The B. Houde Co., Ltd., Quebec, Que.
III—National Tobacco Co., Ltd., Montreal.
IV—Imperial Tobacco Co. of Canada, Ltd., Montreal, Que.
V—Imperial Tobacco Co. of Canada, Ltd., Granby, Que.
VI—The Tuckett Tobacco Co., Ltd., Montreal, Que.
VII—The Tuckett Tobacco Co., Ltd., Hamilton, Ont.
VIII—Andrew Wilson & Co. and Punch Cigar Co., Ltd., Toronto, Ont.
IX—General Cigar Co., Ltd.

TABLE 49a—TOBACCO INDUSTRY, SELECTED ESTABLISHMENTS, ACTUAL WEEKLY EARNINGS, OCTOBER 1933
(Percentage of Employees Receiving Specified Amounts Per Week, by Sex)

Amount per week	Firm I(a)		Firm II		Firm IV		Firm V		Firm VI		Firm VII		Firm VIII		Firm IX	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
\$10.00 or less.....	12.8	31.6	2.9	94.3	7.3	58.1	24.1	92.9	19.5	52.7	2.2	44.2	11.6	8.7	24.4	28.9
\$10.01-\$15.00.....	18.7	68.	20.6	4.3	22.2	37.9	43.6	5.8	43.5	22.6	11.9	50.2	20.9	38.4	35.6	54.2
\$15.01-\$20.00.....	57.8	.3	35.3	1.4	43.4	3.5	20.7	1.3	19.5	22.6	53.3	5.6	25.6	51.1	21.2	15.4
\$20.01-\$25.00.....	8.3	.1	23.5	.....	12.	.4	7.9	.....	12.3	2.1	23.9	.....	22.1	1.8	10.1	1.2
\$25.01-\$30.00.....	1.5	.....	5.9	.....	11.2	.....	1.3	.....	2.6	.....	7.6	.....	12.8	.....	4.4	.....
\$30.01 or over.....	.9	.....	11.8	.....	3.9	.....	2.4	.....	2.6	.....	1.1	.....	7.0	.....	4.4	.3
Total.....	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.

(a) For key to firms see Table 21.

ROYAL COMMISSION ON PRICE SPREADS

TABLE 50.—AGRICULTURAL IMPLEMENTS INDUSTRY,
AVERAGE ANNUAL EARNINGS

1929-1933

(Large and small companies, by class of worker) *

Year	Factory Workers	Factory Adminis- tration	Clerical	Selling	Executive	Average all Em- ployees
	\$	\$	\$	\$	\$	\$
Four Large Companies—						
1929.....	1,219	2,432	1,559	1,640	7,394	1,377
1930.....	1,122	2,321	1,538	1,815	7,311	1,426
1931.....	946	2,218	1,737	1,908	6,772	1,451
1932.....	856	1,229	1,471	1,739	6,551	1,352
1933.....	837	2,238	1,261	1,543	6,512	1,187
Percentage decrease since 1929.....	31.3	8.0	19.2	5.9	11.3	13.8
*Ten Small Companies—						
1929.....	1,032	2,332	1,480	1,439	4,597	1,224
1930.....	941	1,797	1,438	1,429	4,015	1,173
1931.....	833	1,756	1,244	1,394	3,605	1,077
1932.....	682	1,435	1,249	1,514	3,200	983
1933.....	709	1,172	1,140	1,277	2,885	944
Percentage decrease since 1929.....	31.3	12.0	23.0	11.3	37.2	22.9

* Nine Companies only in 1929.

SOURCE—Exhibit 403.

TABLE 51.—AGRICULTURAL IMPLEMENTS INDUSTRY, HIGH, LOW AND AVERAGE
HOURLY EARNINGS FOR EIGHT ESTABLISHMENTS, HAVING FIFTY OR
MORE EMPLOYEES, FEBRUARY 1934

	High	Low*	Average
	\$	\$	\$
Massey-Harris Co., Ltd.—			
Toronto.....	1.04	0.24	0.49
Brantford.....	0.80	0.22	0.43
Verity Works, Brantford.....	0.80	0.20	0.42
Cockshutt Plow Co., Ltd.—			
Brantford.....	0.62	0.21	0.40
Frost & Wood Co., Ltd.—			
Smith's Falls.....	0.82	0.20	0.40
International Harvester Co. of Canada, Ltd.—			
Hamilton.....	1.40	0.25	0.52
Chatham.....	0.82	0.24	0.44
George White & Sons Co., Ltd.—			
London.....	1.00	0.20	0.46
The John Goodison Thresher Co., Ltd.—			
Sarnia.....	0.75	0.27	0.48
The Waterloo Manufacturing Co., Ltd.—			
Waterloo.....	0.60	0.15	0.35
J. Fleury's Sons, Ltd.—			
Aurora, Ontario.....			0.30

*In some cases the low hourly rates shown in this table apply to boys and apprentices.

SOURCE: Exhibit 403.

TABLE 52.—RUBBER INDUSTRY, SELECTED COMPANIES, WAGES, 1933

	Tires			Footwear		
	Lowest	Highest	Average	Lowest	Highest	Average
	\$	\$	\$	\$	\$	\$
<i>Men:</i>						
Hourly Rates (a).....	.47	.60	.....	.32	.43	.....
Full time weekly earnings (b).....	20.68	26.40	.....	14.08	18.92	.....
Actual weekly earnings.....	17.79	21.50	20.10	11.57	20.71	15.60
Actual annual earnings.....	925.00	1,180.00	1,046.00	602.00	1,077.00	811.00
<i>Women:</i>						
Hourly Rates (a).....	.29	.36	.....	.24	.34	.....
Full time weekly earnings (b).....	12.76	15.84	.....	10.56	14.96	.....
Actual weekly earnings.....	10.50	12.57	11.70	8.34	14.11	9.70
Actual annual earnings.....	546.00	661.00	610.00	378.00	734.00	514.00

(a) Five factories only. All other figures are for seven factories.

(b) Calculated on the basis of a 44 hour week. This is less than the currently accepted "normal" week for men but seems to be a generally prevailing standard for women. It is considerably more than the industry is now operating on the average, and, if achieved again, is unlikely to be much exceeded.

Source: Exhibits 193 and 199.

TABLE 53.—TEXTILE INDUSTRIES—PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY PROVINCES, FEBRUARY, 1934

Group	Ontario	Quebec	Other Provinces	Canada
	Per cent	Per cent	Per cent	Per cent
A. Primary cotton.....	22.2	70.8	7.0	100.0
B. Woollens.....	79.4	18.3	2.3	100.0
C. Silk, natural.....	19.3	80.7	.....	100.0
D. Hosiery.....	50.7	45.0	4.3	100.0
E. Silk, artificial.....	36.7	63.3	.....	100.0
F. Knit goods.....	68.9	22.8	8.3	100.0
G. Carpets and rugs.....	100.0	.....	.....	100.0
H. Thread and cordage.....	53.5	37.7	8.8	100.0
I. Bags, waste, batting and wadding, tents, awnings, etc.....	50.9	27.8	21.3	100.0
J. Specialty fabrics.....	55.8	44.2	.....	100.0

(1) All the textile industry tables are taken or derived from Exhibit 360, f.f., except as otherwise indicated.

TABLE 54.—TEXTILE INDUSTRIES—AVERAGE HOURLY WAGES, BY SEX AND AGE, FEBRUARY, 1934

Group		All Em- ployees	Adult Males 21 years and over	Youths and boys under 21 years	Adult Females over 18 years	Girls under 18 years
		Cents	Cents	Cents	Cents	Cents
A	Primary cotton.....	26.64	31.01	18.24	22.75	17.23
B	Woollens.....	29.37	34.96	19.08	24.74	18.37
C	Silk, natural.....	24.45	29.37	16.61	21.36	15.52
D	Hosiery.....	29.95	40.56	21.11	25.09	17.52
E	Silk, artificial.....	33.32	38.99	23.31	25.04	20.17
F	Knit goods.....	29.02	36.62	18.79	25.72	18.28
G	Carpets and rugs.....	36.28	42.62	20.86	28.60	19.03
H	Thread and cordage.....	34.01	39.08	27.27	27.46	21.95
I	Bags, waste, batting and waddings, tents, awnings, etc.....	34.89	39.55	20.42	28.19	19.72
J	Specialty fabrics.....	30.60	33.86	20.79	23.92	18.78

TABLE 54A—PROPORTION OF MALE EMPLOYEES TO TOTAL FACTORY EMPLOYEES, FEBRUARY, 1934

Group		Ontario	Quebec	Other Provinces	Canada
		Per cent	Per cent	Per cent	Per cent
A	Primary cotton.....	63.8	67.1	63.7	66.0
B	Woollens.....	57.5	49.0	64.4	57.2
C	Silk, natural.....	39.6	58.3	.....	54.7
D	Hosiery.....	39.3	45.3	45.2	42.2
E	Silk, artificial.....	63.2	73.2	.....	69.6
F	Knit goods.....	37.3	48.2	28.8	39.4
G	Carpets and rugs.....	65.5	.....	.....	65.5
H	Thread and cordage.....	70.8	33.3	92.8	58.6
I	Bags, waste, batting and wadding, tents, awnings, etc.	71.5	57.1	46.7	61.2
J	Specialty fabrics.....	76.1	74.7	.....	75.5

TABLE 55—TEXTILE INDUSTRIES—AVERAGE HOURLY WAGES OF ALL EMPLOYEES BY PROVINCES, FEBRUARY, 1934

Group		Canada	Ontario	Quebec	Other Provinces
		Cents	Cents	Cents	Cents
A	Primary cotton.....	26.64	29.02	25.49	30.64
B	Woollens.....	29.37	30.51	24.72	30.07
C	Silk, natural.....	24.45	28.61	23.46	.....
D	Hosiery.....	29.95	32.16	27.95	24.82
E	Silk, artificial.....	33.32	37.63	30.81	.....
F	Knit goods.....	29.02	31.03	23.95	26.98
G	Carpets and rugs.....	36.28	36.28	.....	.....
H	Thread and cordage.....	34.01	35.23	32.79	31.77
I	Bags, waste, batting and wadding, tents, awnings, etc.	34.89	32.91	33.11	44.32
J	Specialty fabrics.....	30.60	36.09	23.65	.....

TABLE 56—TEXTILE INDUSTRIES—AVERAGE HOURLY WAGES BY SIZES OF CITIES AND TOWNS, FEBRUARY, 1934

Size of cities and towns	Ontario	Quebec
	Cents	Cents
Less than 5,000 population.....	29.36	23.00
5,000 to 15,000 population.....	27.96	26.06
15,000 to 50,000 population.....	30.76	25.84
50,000 to 250,000 population.....	33.59	29.40
Over 250,000 population.....	33.74	26.40

TABLE 57.—PRIMARY COTTON—SEX AND AGE DISTRIBUTION OF WAGE-EARNERS, 1934

Province	Adult males 21 years and over. Percentage	Youths and boys under 21 years. Percentage	Adult females 18 years and over. Percentage	Girls under 18 years. Percentage
Ontario.....	56.3	7.5	34.0	2.2
Quebec.....	54.2	12.9	29.9	3.0
Maritimes.....	60.0	3.7	32.6	3.7
All provinces.....	55.0	11.0	31.1	2.9

TABLE 58.—CHANGES IN THE COTTON YARN AND CLOTH INDUSTRY SINCE 1930

Year	Wage-earners		Percentage of females to total	Index of wage- earners	Index of volume of pro- duction	Average wage	Average salary
	Male	Female					
1930.....	9,479	7,013	42.5	100.0	100.0	721	2,191
1931.....	9,013	6,275	41.0	92.7	98.2	732	2,279
1932.....	8,666	5,916	40.6	88.3	94.1	724	2,146
1933.....	9,578	5,951	38.3	94.1	117.8	685	1,957

Source—Dominion Bureau of Statistics.

TABLE 59.—COMPARISON OF CHANGES IN THE PRINCIPAL STATISTICS OF THE COTTON INDUSTRY AND ALL MANUFACTURING INDUSTRIES—PERCENTAGE DECREASES, 1930-32

	Cotton yarn and cloth industry	All manu- facturing indus- tries
Value of production.....	— 20.8	— 38.0
Physical volume of production.....	— 5.9	— 26.5
Cost of materials.....	— 31.5	— 42.7
Number of employees.....	— 11.2	— 23.1
Salaries and wages.....	— 10.1	— 31.3
Average wage.....	— 5.0	— 14.8
Average salary.....	— 10.7	— 12.6

Source—Dominion Bureau of Statistics.

TABLE 60.—PRIMARY COTTON
AVERAGE HOURLY RATES OF PAY

Province	Average all factory employees excluding super- intendents	Adult males 21 years and over	Youths and boys under 21 years	Adult females 18 years and over	Girls under 18 years
1934	cents	cents	cents	cents	cents
Ontario.....	29.02	32.72	22.26	25.00	19.65
Quebec.....	25.49	30.04	17.40	21.66	16.20
Maritimes.....	30.64	34.72	21.65	25.28	20.91
Average.....	26.64	31.01	18.24	22.75	17.23
1933					
Ontario.....	30.85	35.63	21.98	25.29	20.08
Quebec.....	28.14	33.90	18.95	22.61	17.46
Maritimes.....	34.98	39.73	23.48	27.63	23.49
Average.....	29.21	34.73	19.44	23.63	18.19

AVERAGE HOURLY RATES OF PAY EXPRESSED AS A PERCENTAGE OF THE WHOLE INDUSTRY

1934					
Ontario.....	108.9	105.5	122.0	109.9	114.0
Quebec.....	95.7	96.9	95.4	95.2	94.0
Maritimes.....	115.0	112.0	118.7	111.1	121.4
1933					
Ontario.....	105.6	102.6	113.0	107.0	110.4
Quebec.....	96.3	97.6	97.5	95.7	96.0
Maritimes.....	119.7	114.5	120.8	116.9	129.1

AVERAGE EMPLOYEE—HOURS PER WEEK ALL MILLS

1934.....	53	50	48	47
1933.....	41	33	33	34

TABLE 61.—PRIMARY COTTON—AVERAGE RATES OF PAY ACCORDING TO SIZE OF MILL

Group	Number of Mills	Employ- ment Ratio	Average Hourly Rates of pay	
			1934	1933
From 25 to 100 workers.....	3	1.6	24.62	26.62
From 100 to 200 workers.....	2	1.7	29.93	31.57
From 200 to 300 workers.....	6	8.3	28.45	32.55
From 300 to 500 workers.....	7	19.3	27.44	30.78
Over 500.....	11	69.1	26.16	28.55
Totals for group.....	29	100.0	26.64	29.21

TABLE 62.—PRIMARY COTTON—AVERAGE HOURLY RATES IN SELECTED OCCUPATIONS, 1934

Occupation and Province	Adult males 21 years and over	Youths and boys under 21 years	Adult females 18 years and over	Girls under 18 years
Spinners (Frame)—				
Ontario.....	26.55	22.56	24.73	18.28
Quebec.....	22.42	16.51	21.55	16.14
Maritimes.....	24.43	18.66	23.84	21.44
Spoolers—				
Ontario.....	22.34	23.14	24.01	20.00
Quebec.....	20.83	18.83	21.16	18.13
Maritimes.....	26.14	21.81	23.75	21.98
Weavers—				
Ontario.....	28.44	18.81	27.36	21.69
Quebec.....	28.07	21.85	25.82	17.87
Maritimes.....	29.89		33.30	
Loom Fixers—				
Ontario.....	44.38	27.00		
Quebec.....	41.36	21.81		
Maritimes.....	47.05			
Finishers—				
Ontario.....	28.01	20.84	25.41	
Quebec.....	28.84	18.44	17.45	13.00
Maritimes.....	25.81		20.43	
Pressers—				
Ontario.....	25.83			
Quebec.....			22.68	18.35
Maritimes.....	96.00	18.00		
Foremen and Foreladies—				
Ontario.....	61.26	43.97	41.43	
Quebec.....	58.66		30.86	
Maritimes.....	68.08			

TABLE 63.—WOOLLEN TEXTILES—SEX AND AGE DISTRIBUTION OF WAGE-EARNERS, 1934

	Adults males 21 years and over	Youths and boys under 21 years	Adult Females 13 years and over	Girls under 18 years	Total
Woollen Textiles other than carpets and rugs—					
Ontario.....	52.2	5.3	38.6	3.9	100.0
Quebec.....	46.5	10.0	39.0	4.5	100.0
New Brunswick, 1 mill.....	48.9	1.2	48.8	1.1	100.0
Nova Scotia, 1 mill.....	54.3		45.0	.7	100.0
Manitoba, 1 mill.....	82.7	17.3			100.0
British Columbia, 1 mill.....	53.3		46.7		100.0
All Provinces.....	51.1	6.1	38.8	4.0	100.00
Carpets and rugs, Ontario.....	59.08	6.46	33.41	1.05	100.00

TABLE 64.—CHANGES IN THE WOOLLEN TEXTILE INDUSTRIES, AS COMPARED WITH MANUFACTURING IN GENERAL, 1929 TO 1932

	Woollen Cloth	Woollen Yarns	Carpets, Mats and Rugs	Woollen Goods, N.e.s.	All Manufacturing Industries
	per cent	per cent	per cent	per cent	per cent
Value of Production.....	-19.2	-34.6	-61.2	-46.4	-47.2
Physical volume of production.....	+18.4	-10.0	-43.9	-30.5	-33.4
Cost of materials.....	-31.6	-39.1	-69.7	-31.9	-53.0
Number of employees.....	+20.4	-3.8	-26.8	-21.5	-28.7
Salaries and wages.....	+6.2	-5.5	-41.4	-25.6	-37.8
Average wage.....	-13.2	-4.3	-24.9	-10.1	-18.5
Average salary.....	-11.6	-17.8	-15.3	-2.8	-11.4

SOURCE: Dominion Bureau of Statistics.

TABLE 65.—CHANGES IN THE WOOLLEN TEXTILE INDUSTRIES, 1929 TO 1933

WOOLLEN CLOTH

Year	Wage-earners		Per cent of females to total	Index of wage-earners	Index of volume of production	Average wage	Average salary
	Male	Female					
	No.	No.	%	%	%	\$	\$
1929.....	2,132	1,705	44.6	100.0	100.0	838	2,295
1930.....	2,008	1,552	43.6	92.3	82.4	753	2,300
1931.....	2,305	1,842	44.4	108.1	102.1	800	2,007
1932.....	2,595	1,982	41.1	119.3	118.4	727	2,028
1933.....	2,876	2,219	43.6	132.8	137.3	703	1,992

WOOLLEN YARN

1929.....	741	1,017	57.8	100.0	100.0	644	2,225
1930.....	677	832	55.1	85.8	73.2	623	2,085
1931.....	630	827	56.8	82.9	76.9	647	1,935
1932.....	783	866	52.5	93.8	90.0	616	1,829
1933.....	1,069	1,143	51.7	125.8	113.1	638	1,542

CARPETS, MATS AND RUGS

1929.....	696	383	35.5	100.0	100.0	929	2,156
1930.....	601	367	37.9	89.7	89.5	879	2,188
1931.....	567	355	38.5	85.4	85.2	829	2,156
1932.....	513	258	33.5	71.5	56.1	698	1,827
1933.....	490	287	28.7	72.0	64.7	661	1,672

WOOLLEN GOODS, N.E.S.

1929.....	794	243	23.4	100.0	100.0	868	2,672
1930.....	746	253	25.3	96.3	96.4	817	2,391
1931.....	641	217	25.3	82.7	78.2	783	2,520
1932.....	605	186	23.5	76.3	69.5	780	2,596
1933.....	664	205	23.6	83.8	84.2	813	2,419

SOURCE: Dominion Bureau of Statistics.

TABLE 66.—WOOLLEN TEXTILES—AVERAGE NUMBER OF HOURS WORKED PER WEEK PER EMPLOYEE

Test period	All Employees	Adult Males, 21 years and over	Youths and boys under 21 years	Adult Females 18 years and over	Girls under 18 years
Woollen textiles other than carpets—					
February, 1933.....	45	48½	44	41½	40½
February, 1934.....	51	53½	52	48	49

TABLE 67.—WOOLLEN TEXTILES, AVERAGE HOURLY RATES OF FACTORY WORKERS
(Excluding Superintendents) February 1934

Woollen textiles other than carpets and rugs	All employees	Adult males 21 years and over	Youths and boys under 21 years	Adult females 18 years and over	Girls under 18 years
	cents	cents	cents	cents	cents
Ontario.....	30.51	35.78	20.38	25.94	19.11
Quebec.....	24.72	31.37	16.17	20.07	15.76
New Brunswick.....	26.83	32.76	18.90	21.31	16.21
Nova Scotia.....	21.22	23.32	.....	18.83	11.73
Manitoba.....	36.63	40.65	17.50	.....	.....
British Columbia.....	35.62	40.07	30.54	.....	.....
All Provinces.....	29.37	34.96	19.08	24.74	18.37
Carpets and Rugs, Ontario.....	36.28	42.62	20.86	28.60	19.03

TABLE 68.—WOOLLEN TEXTILES—AVERAGE RATES OF PAY ACCORDING TO SIZE OF MILL

	Number of Mills	Employment ratio	Average Rates of 1934	Hourly Pay 1933
	Per cent	Per cent	cents	cents
<i>Woollen Textiles other than Carpets and Rugs—</i>				
Less than 25 workers.....	6	1.9	24.10	28.52
From 25 to 100 workers.....	13	11.7	25.26	25.10
From 100 to 200 workers.....	11	20.2	28.67	20.37
From 200 to 300 workers.....	6	23.1	28.12	30.29
From 300 to 500 workers.....	7	35.7	31.98	32.25
From 500 workers.....	1	7.4	30.50	29.78
All mills.....	44	100.0	29.37	30.30
<i>Carpets and Rugs—</i>				
Less than 25 workers.....	1	1.8	19.23	19.97
From 25 to 100 workers.....	1	8.7	27.35	27.20
From 100 to 200 workers.....	2	43.5	34.80	37.14
From 200 to 300 workers.....	1	46.0	40.07	45.45
	5	100.0	36.28	39.21

TABLE 69.—WOOLLEN TEXTILES—AVERAGE HOURLY RATES IN SELECTED OCCUPATIONS, FEBRUARY 1934

Occupation and Province	Adult Males 21 years and over	Youths and Boys under 21 years	Adult Females 18 years and over	Girls under 18 years
	cents	cents	cents	cents
<i>Woollen goods other than carpets and rugs—</i>				
Carders—				
Ontario.....	30.21	22.94	24.62	18.80
Quebec.....	25.66	18.82	20.52	15.11
New Brunswick.....	28.64	18.89		
Nova Scotia.....	21.83			
Manitoba.....	65.34			
British Columbia.....	45.94			
Spinners (Male)—				
Ontario.....	36.11	21.94	24.90	15.67
Quebec.....	28.18	14.82	19.76	11.00
New Brunswick.....	29.40			
Nova Scotia.....	24.13			
Manitoba.....	34.09			
British Columbia.....	41.11			
Weavers—				
Ontario.....	33.55	22.25	29.72	23.15
Quebec.....	27.52	20.69	22.19	16.88
New Brunswick.....	26.90		25.04	
Nova Scotia.....	20.80		20.12	
Manitoba.....	39.77			
British Columbia.....			32.03	
Loom Fixers—				
Ontario.....	45.15			
Quebec.....	48.37			
New Brunswick.....	31.47			
Nova Scotia.....	23.75			
Manitoba.....				
British Columbia.....	57.78			
Dye House Employees—				
Ontario.....	32.59	19.01		
Quebec.....	32.83	23.03		
New Brunswick.....	27.12			
Nova Scotia.....	19.46			
Manitoba.....	73.86			
British Columbia.....	29.17			
Finishers—				
Ontario.....	33.94	19.36	23.55	16.91
Quebec.....	27.34	13.08	18.07	
New Brunswick.....	21.58		17.15	
Nova Scotia.....	35.00			
Manitoba.....	28.41			
British Columbia.....				
Foremen and Foreladies—				
Ontario.....	58.71	17.56	39.10	
Quebec.....	64.14		36.36	
New Brunswick.....	55.64			
Nova Scotia.....	37.90			
Manitoba.....				
British Columbia.....				
<i>Carpets and Rugs—</i>				
Spoolers.....	17.60	15.96	27.46	20.00
Weavers.....	46.51	18.93	31.78	16.52
Loom fixers.....	66.17			
Dye House Employees.....	35.04	23.50		
Finishers.....	34.85	21.56	24.58	16.81
Foremen and Foreladies.....	73.22		22.70	
Inspectors.....	61.77	21.05	30.84	

TABLE 70.—WOOLLEN TEXTILES SELECTED FIRMS, DISTRIBUTION OF WAGE EARNERS BY WEEKLY WAGE RATES

Weekly Wage	Male	Female	Saguenay Spinners Limited		St. George Woollen Mills		Northern Textiles	
			Male	Female	Male	Female	Male	Female
\$4 and less.....	1				5			
From \$ 4.01-\$ 5.....	2		2	7	4			
From \$ 5.01-\$ 6.....		1		*1	8	3		
From \$ 6.01-\$ 7.....	4	*8	*5	2	8	8		1
From \$ 7.01-\$ 8.....	*3		1	4	5	*9		1
From \$ 8.01-\$ 9.....	1	1	2	1	9	2	1	
From \$ 9.01-\$10.....	3				*10	3		2
From \$10.01-\$11.....	1				18	2	2	*7
From \$11.01-\$12.....	2				2	1		
From \$12.01-\$15.....			1		8	1	*4	
From \$15.01-\$20.....			2		3	2	1	
From \$20.01-\$30.....	1				4			
Total.....	18	10	13	15	84	31	8	11

*Median.

TABLE 71.—SILK INDUSTRY—SEX AND AGE DISTRIBUTION OF WAGE-EARNERS, 1934.

	Adult Males 21 years and over	Youths and boys under 21 years	Adult Females 18 years and over	Girls under 18 years	Total
	Per cent	Per cent	Per cent	Per cent	Per cent
Silk, natural—					
Ontario.....	33.7	5.9	55.9	4.5	100.0
Quebec.....	49.1	9.2	38.6	3.1	100.0
All mills.....	46.1	8.6	42.0	3.3	100.0
Silk, artificial—					
Ontario.....	59.7	3.5	28.3	8.5	100.0
Quebec.....	63.3	9.9	23.9	2.9	100.0
All mills.....	62.0	7.6	25.5	4.9	100.0

TABLE 72.—CHANGES IN THE SILK INDUSTRY AS COMPARED WITH ALL MANUFACTURING INDUSTRIES, 1929-32

	Silk Industry	All Manufacturing Industries
	Per cent	Per cent
Value of production.....	+37.2	-47.2
Physical volume of production.....	+91.4	-33.4
Cost of materials.....	+29.0	-53.0
Number of employees.....	+60.9	-28.7
Salaries and wages.....	+50.5	-37.8
Average wage.....	- 8.4	-18.5
Average salary.....	- 2.4	-11.4

Source—Dominion Bureau of Statistics.

TABLE 73.—CHANGES IN THE SILK INDUSTRY SINCE 1929

Year	Wage-earners		Percentage of Females to total	Index of Wage-earners	Index of Volume of Production	Average Wage	Average Salary
	Male	Female					
	No.	No.				\$	\$
1929.....	1,653	2,362	58.8	100.0	100.0	787	1,870
1930.....	2,391	2,566	51.8	123.4	119.6	790	1,842
1931.....	3,032	2,628	46.4	141.0	149.8	803	1,979
1932.....	3,581	2,837	44.2	159.9	191.4	721	1,825
1933.....	4,026	3,095	43.5	177.4	222.5	678	1,925

Source—Dominion Bureau of Statistics.

TABLE 74.—SILK INDUSTRY—AVERAGE HOURLY RATES OF FACTORY WORKERS (EXCLUDING SUPERINTENDENTS), FEBRUARY, 1934

	All employees	Adult Males 21 years and over	Youths and boys under 21 years	Adults Females 18 years and over	Girls under 18 years
	Cents	Cents	Cents	Cents	Cents
Silk, natural—					
Ontario.....	28.61	34.95	22.36	26.25	18.81
Quebec.....	23.46	28.46	15.73	19.67	14.38
All mills.....	24.45	29.37	16.61	21.36	15.52
Silk, artificial—					
Ontario.....	37.63	46.10	32.20	25.25	21.56
Quebec.....	30.81	35.10	21.47	24.90	17.83
All mills.....	33.32	38.99	23.31	25.04	20.17

TABLE 75.—SILK INDUSTRY—AVERAGE RATES OF PAY ACCORDING TO SIZE OF MILL

	Mills	Employment ratio	Average rates of 1934	Hourly pay 1933
	No.	Per cent	Cents	Cents
Silk, natural—				
From 25-100 workers.....	7	7.9	25.33	26.85
" 100-200 ".....	4	17.3	19.98	20.25
" 200-300 ".....	4	23.9	26.07	25.87
" 300-500 ".....	1	12.6	30.35	31.55
500 workers and over.....	2	38.3	23.36	23.57
All mills.....	18	100.0	24.45	24.55
Silk, artificial—				
500 workers and over.....	2	100.0	33.32	33.43

TABLE 76—SILK INDUSTRY—AVERAGE HOURLY RATES OF PAY IN
SELECTED OCCUPATIONS, FEBRUARY 1934

Occupation and Province	Adult Males 21 years and over	Youths and boys under 21 years	Adult Females 18 years and over	Girls under 18 years
<i>Silk, Natural</i>	Cents	Cents	Cents	Cents
Spinners (Frame)—				
Ontario.....	30.70	27.70	24.74	18.96
Quebec.....	17.75	7.96	18.98	8.50
Twisters—				
Ontario.....	43.57	20.23	25.01	25.23
Quebec.....	24.18	18.10	21.42	.....
Warpers, Creelers—				
Ontario.....	41.30	27.35	35.28	15.79
Quebec.....	26.06	15.18	21.75	15.05
Wett Winders and Quillers—				
Ontario.....	24.29	21.97	23.62	18.64
Quebec.....	14.87	12.93	15.34	14.79
Weavers.....				
Ontario.....	30.13	15.16	20.09	15.85
Quebec.....	22.71	18.00	21.52	16.18
Loom Fixers—				
Ontario.....	47.59	25.00	.....	.....
Quebec.....	46.00	30.00	.....	.....
Knitters—				
Ontario.....	.....	.....	.....	.....
Quebec.....	44.78	20.98	24.33	.....
Dye-House Employees—				
Ontario.....	37.33	.....	.....	.....
Quebec.....	25.12	18.74	15.61	11.98
Foremen and Foreladies—				
Ontario.....	54.43	.....	.....	.....
Quebec.....	80.53	20.45	29.75	.....

TABLE 77—SILK INDUSTRY—AVERAGE HOURLY RATES OF PAY IN
SELECTED OCCUPATIONS, FEBRUARY, 1934

Occupation and Province	Adult Males 21 years and over	Youths and boys under 21 years	Adult Females 18 years and over	Girls under 18 years
<i>Silk, Artificial</i>	Cents	Cents	Cents	Cents
Spinners (Frame)—				
Ontario.....	45.17	41.56	25.67	.....
Quebec.....	26.91	22.64	.....	.....
Twisters—				
Ontario.....	.....	.....	.....	.....
Quebec.....	26.41	21.86	20.89	21.48
Warpers, Creelers—				
Ontario.....	.....	.....	.....	.....
Quebec.....	34.13	21.00	30.52	.....
Wett Winders and Quillers—				
Ontario.....	.....	.....	.....	.....
Quebec.....	28.66	23.36	23.09	21.22
Weavers—				
Ontario.....	.....	.....	.....	.....
Quebec.....	32.35	22.88	32.04	20.08
Loom Fixers—				
Ontario.....	.....	.....	.....	.....
Quebec.....	51.93	.....	.....	.....
Knitters—				
Ontario.....	.....	.....	.....	.....
Quebec.....	31.96	21.26	20.58	20.19
Dye-House Employees—				
Ontario.....	.....	.....	.....	.....
Quebec.....	27.35	24.30	20.10	20.00
Foremen and Foreladies—				
Ontario.....	58.35	.....	30.05	.....
Quebec.....	76.36	.....	57.69	.....

ROYAL COMMISSION ON PRICE SPREADS

TABLE 78.—SILK INDUSTRY

SUMMARY OF AVERAGE HOURLY WAGES PAID

	17th February, 1934		Two weeks ending 18th February, 1933	
	No. of employees	Hourly earnings cents	No. of employees	Hourly earnings cents
All wage earners.....	199	10.4	161	10.3
Male wage earners.....	110	10.4	97	10.0
Female wage earners.....	89	10.4	64	10.7
Experienced female workers.....	22	12.6		
Inexperienced female workers.....	67	9.8	64	10.7

SUMMARY OF WEEKLY RATES OF PAY OF MALE AND FEMALE FACTORY EMPLOYEES IN THE TWO WEEKS ENDING 17TH FEBRUARY, 1934

Weekly Rate, based on normal week of 55 hours	Number of Employees		
	Male	Female	Total
From—			
\$2.00 to \$2.99.....	7	2	9
\$3.00 to \$3.99.....	26	4	30
\$4.00 to \$4.99.....	32	22	54
\$5.00 to \$5.99.....	2		2
\$6.00 to \$6.99.....	3	27	30
\$7.00 to \$7.99.....	4	2	6
\$8.00 to \$8.99.....	4	6	10
\$9.00 to \$9.99.....	3		3
\$11.00 to \$11.99.....	2		2
\$12.00 to \$14.99.....	2		2
\$15.00 to \$20.00.....	1		1
\$25.00 to \$30.00.....	5		5
Total—Time workers.....	91	63	154
Piece-workers.....	34	26	60
Total.....	125	89	214

NOTE.—This table includes all factory employees, of which 199 are paid at hourly or piecework rates.

TABLE 79.—ASSOCIATED TEXTILES OF CANADA, LTD.—SUMMARY OF WEEKLY RATES OF PAY OF FACTORY EMPLOYEES

(based on 55 hour week)

	Two weeks ending	
	25th February, 1934	12th February, 1933
Female Workers—		
Number paid at rate of less than \$6.00.....	2	2
Number paid \$6.00-\$6.99.....	50	36
“ 7.00- 7.99.....	78	88
“ 8.00- 8.99.....	27	17
“ 9.00 and over.....	108	98
Total.....	265	241
Number paid less than applicable minimum wage.....	101	94
Male Workers—		
Number paid at rate of less than \$6.00.....	14	44
Number paid \$6.00-\$6.99.....	47	27
“ 7.00- 7.99.....	29	22
“ 8.00- 8.99.....	25	38
“ 9.00 and over.....	369	305
Total.....	484	436
Average weekly wage rate—		
All employees.....	\$12.26	\$11.66
Male employees.....	13.43	12.83
Female employees.....	9.73	9.24

TABLE 80.—HOSIERY AND KNIT GOODS INDUSTRY—SEX AND AGE DISTRIBUTION OF WAGE-EARNERS, FEBRUARY, 1934

	Adult Males 21 years and over	Youths and Boys under 21 years	Adult Females 18 years and over	Girls under 18 years	Employ- ment ratio to Total of the group
	%	%	%	%	%
Hosiery—					
Ontario.....	33.1	6.2	55.6	5.1	50.7
Quebec.....	37.2	8.1	51.5	3.2	45.0
Nova Scotia.....	38.1	7.1	54.8		4.3
All Provinces.....	35.2	7.0	53.7	4.1	100.0
Knit Goods—					
Ontario.....	33.8	3.5	59.6	3.1	68.9
Quebec.....	41.1	7.1	49.3	2.5	22.8
New Brunswick.....	29.8		70.2		2.0
Nova Scotia.....	32.6	2.2	63.0	2.2	4.1
Manitoba.....	27.2	5.4	64.7	2.7	0.7
Alberta.....	13.2	4.3	81.0	1.5	0.3
British Columbia.....	20.9	8.6	57.0	13.5	1.2
All Provinces.....	35.1	4.3	57.7	2.9	100.0

TABLE 81.—HOSIERY AND KNIT GOODS INDUSTRY

Year	Wage-earners		Percentage of females to total	Index of wage-earners	Index of volume of production	Average wage	Average salary
	Male	Female					
	No.	No.	%	%	%	\$	\$
1929.....	5,740	12,084	67.8	100.0	100.0	743	2,147
1930.....	5,483	11,429	67.6	94.9	90.3	719	2,047
1931.....	5,230	11,136	68.0	91.8	94.0	690	1,999
1932.....	5,343	10,887	67.1	91.1	92.6	660	1,937
1933.....	5,096	10,632	67.6	88.2	96.5	642	1,759

Source—Dominion Bureau of Statistics.

TABLE 82.—CHANGES IN THE HOSIERY AND KNIT GOODS INDUSTRY AS COMPARED WITH ALL MANUFACTURING INDUSTRIES, 1929-32

	Hosiery and Knit Goods Industry	All Manufacturing Industries
	Per cent	Per cent
Value of production.....	— 27.3	— 47.2
Physical volume of production.....	— 7.4	— 33.4
Cost of materials.....	— 36.4	— 53.0
Number of employees.....	— 7.3	— 28.7
Salaries and wages.....	— 15.1	— 37.8
Average wage.....	— 11.2	— 18.5
Average salary.....	— 9.8	— 11.4

SOURCE—Dominion Bureau of Statistics.

TABLE 83.—HOSIERY AND KNIT GOODS INDUSTRY—AVERAGE HOURLY WAGES OF ALL FACTORY WORKERS (EXCLUDING SUPERINTENDENTS) FEBRUARY, 1934

	All employees	Adult males 21 years and over	Youths and boys under 21 years	Adult females 18 years and over	Girls under 18 years
	Cents	Cents	Cents	Cents	Cents
Hosiery—					
Ontario.....	32.16	44.32	24.64	27.09	17.60
Quebec.....	27.95	37.43	18.81	23.18	17.37
Nova Scotia.....	24.82	34.11	12.36	19.99	.....
All provinces.....	29.95	40.56	21.11	25.09	17.52
Knit Goods—					
Ontario.....	31.03	39.64	21.73	27.31	19.01
Quebec.....	23.95	29.46	14.62	21.11	15.48
New Brunswick.....	21.86	29.15	.....	18.81	.....
Nova Scotia.....	26.73	35.23	18.82	23.00	15.15
Manitoba.....	29.58	41.33	25.26	25.61	15.58
Alberta.....	26.27	38.23	31.99	24.21	13.19
British Columbia.....	30.44	43.75	11.37	30.80	20.50
All Provinces.....	29.02	36.62	18.79	25.72	18.28

TABLE 84.—HOURS WORKED PER WEEK

All Employees	Adult males 21 years and over	Youths and boys under 21 years	Adult females 21 years and over	Girls under 18 years
Hosiery—				
February 1933-41.....	44	44	39	43
“ 1934-47.....	51	48	44	46
Knit Goods—				
February 1933-38.....	43	39	35	36
“ 1934-45.....	48	46	43	42

TABLE 85.—HOSIERY AND KNIT GOODS INDUSTRY
AVERAGE RATES OF PAY ACCORDING TO SIZE OF MILL

	Mills	Employ- ment ratio	Average hourly rates of pay	
			Feb. 1934	Feb. 1933
	No.	Per cent	cents	cents
Hosiery				
Less than 25 workers.....	4	8	31.53	30.08
25 to 100 “.....	9	11.5	25.04	24.65
100 to 200 “.....	8	20.8	31.53	30.94
200 to 300 “.....	8	35.3	31.27	31.10
300 to 500 “.....	2	13.2	29.74	32.25
Over 500 “.....	1	18.4	28.74	30.05
All mills.....	32	100.0	29.95	30.23
Knit Goods:				
Less than 25 workers.....	24	5.6	27.40	27.46
25 to 100 “.....	26	11.0	27.66	28.47
100 to 200 “.....	10	13.6	28.53	30.16
200 to 300 “.....	8	18.5	26.38	27.21
300 to 500 “.....	5	18.5	29.76	30.41
Over 500 “.....	5	32.8	31.04	31.95
All mills.....	78	100.0	29.02	29.95

TABLE 86.—HOSIERY AND KNIT GOODS INDUSTRY—AVERAGE HOURLY RATES IN SELECTED OCCUPATIONS, FEB. 1934.

Occupation and Province	Adult males 21 years and over	Youths and boys under 21	Adult females 18 years and over	Girls under 18 years
<i>Hosiery</i>				
Spinners (Frame)	cents	cents	cents	cents
Ontario.....	25.96	13.13	17.64	14.37
Quebec.....	16.99	15.11	19.81	12.02
Nova Scotia.....			17.34	
Spoolers—				
Ontario.....	25.27	17.95	23.35	13.45
Quebec.....	27.90	10.94	22.88	14.55
Nova Scotia.....			15.44	
Knitters				
Ontario.....	45.28	25.74	26.17	17.35
Quebec.....	38.49	18.77	23.76	16.77
Nova Scotia.....	32.03	12.76	28.09	
Dye-House Employees				
Ontario.....	40.47	20.92	30.85	16.37
Quebec.....	27.57	19.78	17.13	13.14
Nova Scotia.....	42.72			
Finishers				
Ontario.....	22.22	30.36	27.10	16.43
Quebec.....	21.91		20.41	15.20
Nova Scotia.....			24.68	
Boarders				
Ontario.....	36.46	37.78	27.58	20.82
Quebec.....	32.80	23.81	20.79	12.87
Nova Scotia.....	22.23			
Sewers and Seamers				
Ontario.....		22.00	29.08	24.36
Quebec.....	11.84	12.99	23.66	19.20
Nova Scotia.....			24.22	
Foreman and Foreladies				
Ontario.....	71.45		37.98	
Quebec.....	68.86		30.46	14.77
Nova Scotia.....	108.33		50.99	
<i>Knit Goods</i>				
Spinners (Male)				
Ontario.....	34.46	21.47		
Quebec.....	25.40	17.62	20.00	
New Brunswick.....	21.80			
Nova Scotia.....	35.99			
Machine Fixers (other than loom)				
Ontario.....	52.91	23.25		
Quebec.....	36.80	17.00		
New Brunswick.....	57.98			
Nova Scotia.....	38.99			
British Columbia.....	54.87			
Knitters				
Ontario.....	38.56	23.65	27.41	18.54
Quebec.....	29.19	16.49	21.20	15.80
New Brunswick.....	25.16		16.84	
Nova Scotia.....	30.44	14.03	26.31	14.00
Manitoba.....	32.71	25.26	25.60	15.20
Alberta.....	34.49	31.99	32.01	
British Columbia.....	42.57	14.01		21.02
Folders				
Ontario.....	27.81	21.32	24.99	18.69
Quebec.....	16.40		21.87	12.75
New Brunswick.....			19.42	
Nova Scotia.....	40.10	22.57	22.10	16.89
Manitoba.....			29.28	
Finishers				
Ontario.....	32.71	23.98	25.97	18.44
Quebec.....	23.14	12.24	19.81	14.32
Nova Scotia.....			16.05	
Manitoba.....			23.60	
Alberta.....			21.64	
British Columbia.....			30.07	
Boarders				
Ontario.....	35.94	21.35	28.55	22.27
Quebec.....	28.00		19.92	14.26
New Brunswick.....	34.28			
Alberta.....			28.11	

TABLE 86.—HOSIERY AND KNIT GOODS INDUSTRY—AVERAGE HOURLY RATES IN
SELECTED OCCUPATIONS, FEB. 1934—*Concluded.*

Occupation and Province	Adult males 21 years and over	Youths and Boys under 21	Adult females 18 years and over	Girls under 18 years
<i>Knit Goods—Con.</i>	cents	cents	cents	cents
Sewers and Seamers				
Ontario.....	34.75		27.64	19.69
Quebec.....	31.00	13.74	20.41	14.50
New Brunswick.....			18.60	
Nova Scotia.....			22.84	14.73
Manitoba.....			24.49	
Alberta.....			22.02	13.19
British Columbia.....			30.65	21.02
Foreman and Foreladies				
Ontario.....	65.89	14.05	38.74	27.67
Quebec.....	50.19		32.91	
New Brunswick.....	58.54		20.95	
Nova Scotia.....	55.92		50.82	
Manitoba.....	68.84		35.51	
Alberta.....			41.67	
British Columbia.....	75.27		36.55	

ROYAL COMMISSION ON PRICE SPREADS

TABLE 84—HOSIERY AND KNIT GOODS INDUSTRY—FREQUENCY DISTRIBUTION OF WAGES PAID BY FIRMS PAYING LESS THAN THE AVERAGE FOR THE PROVINCE, 1934

	KNIT GOODS MANUFACTURERS										HOSIERY MANUFACTURERS							
	Canadian Knitting, Joliette, Que.		McMurchy & Co., Huttonville, Ont.		Jos. Beaumont, Glenn Williams, Ont.		Dominion Glove Co., Beebe, Que.		Rouville Knitting Co., Marieville, Que.		Goodwear Hosiery Mills, St. Anne de la Parade, Que.		Nicolet Knitting Co., Nicolet, Que.		J. G. Field & Son, Tavistock, Ont.		Canadian Silk Products, Ltd., Sherbrooke, Que.	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
\$ 1.01 to \$2.00.....	1								1									
2.01 to 3.00.....		1																
3.01 to 4.00.....		3																
4.01 to 5.00.....		2							1									
5.01 to 6.00.....	1	1	1					1										
6.01 to 7.00.....		1	1					3										
7.01 to 8.00.....	1	5						4										
8.01 to 9.00.....		2	2	1	3			1										
9.01 to 10.00.....					10			3										
10.01 to 11.00.....			4	4	3			1										
11.01 to 12.00.....	1		1	2	7			2										
12.01 to 13.00.....			1	4	3			1										
13.01 to 14.00.....				4	4			3										
14.01 to 15.00.....	3				3			1										
15.01 to 16.00.....					7			2										
16.01 to 17.00.....					4			2										
17.01 to 18.00.....								2										
18.01 to 19.00.....								2										
19.01 to 20.00.....								2										
20.01 to 30.00.....								2										
Over \$30.00.....								3										
Normal working hours per week, all employees.....	7	12	11	12	12	29	4	21	9	20	12	28	16	26	8	49	191	243
Average rate per hour, all employees.....	55		55		55		50		55		49½		55		55		52	
Average rate per hour for the Province.....	11.90		19.28		20.14		18.34		18.80		12.45		16.48		23.56		25.29	
Average rate per hour for the Province.....	23.95		31.03		31.03		23.95		23.95		27.95		27.95		32.16		27.95	
Average Weekly Full-time earnings.....	\$6.55		10.60		\$11.08		\$9.17		\$10.34		\$6.16		\$9.04		\$12.96		\$13.15	

Source—Auditor's reports.

TABLE 88.—AVERAGE HOURLY RATES OF ALL FACTORY WORKERS (EXCLUDING SUPERINTENDENTS, FEBRUARY, 1934)

	All employees	Adult males 21 years and over	Youths and boys under 21 years	Adult females 18 years and over	Girls under 18 years
	cents	cents	cents	cents	cents
Thread and cordage—					
Ontario.....	35.23	37.21	28.78	26.07	23.19
Quebec.....	32.79	42.32	28.77	28.20	15.28
Nova Scotia.....	31.77	32.29	20.00	31.47	.....
All provinces.....	34.01	39.08	27.27	27.46	21.95
Bags, waste, batting and wadding, tents, awnings, etc.—					
Ontario.....	32.91	35.93	21.19	26.92	22.63
Quebec.....	33.11	40.08	19.17	24.76	14.00
Manitoba.....	41.81	53.89	.....	33.11	.....
Alberta.....	50.65	60.51	.....	36.02	.....
British Columbia.....	40.51	54.88	.....	31.50	.....
All provinces.....	34.89	39.55	20.42	28.19	19.72
Specialty fabrics—					
Ontario.....	36.09	39.39	23.36	29.09	22.78
Quebec.....	23.05	26.49	18.61	17.63	14.96
All provinces.....	30.60	33.86	20.79	23.92	18.78

TABLE 89.—AVERAGE RATES OF PAY ACCORDING TO SIZE OF MILL

	Mills	Employment ratio	Average hourly rates of pay	
			Feb., 1934	Feb., 1933
	No.	per cent		
Thread and cordage—				
Less than 25 workers.....	4	24.2	34.17	36.99
25 to 100 workers.....	2	45.9	35.04	34.11
100 to 200 ".....	1	29.9	32.31	32.03
200 to 300 ".....				
300 to 500 ".....				
Over 500 workers.....				
Totals.....	7	100.0	34.01	34.13
Bags, waste, batting and wadding, tents, awnings, etc.—				
Less than 25 workers.....	12	37.13	31.83	33.06
25 to 100 workers.....	12	72.87	36.03	35.80
Totals.....	24	100.00	34.89	35.16
Specialty fabrics—				
Less than 25 workers.....	1	0.7	32.89	37.96
25 to 100 workers.....	3	27.6	27.25	28.33
100 to 200 ".....	2	41.9	27.02	27.15
200 to 300 ".....	1	29.8	38.68	37.02
Totals.....	7	100.0	30.60	30.73

TABLE 90.—SEX AND AGE DISTRIBUTION OF WAGE-EARNERS, FEBRUARY, 1934

	Adult males 21 years and over	Youths and boys under 21 years	Adult females 18 years and over	Girls under 18 years	Employ- ment ratio to total group
	per cent	per cent	per cent	per cent	per cent
Thread and cordage—					
Ontario.....	68.2	2.6	28.3	0.9	53.5
Quebec.....	32.8	0.5	66.5	0.2	37.7
Nova Scotia.....	89.0	3.8	7.2	.....	8.8
All provinces.....	56.7	1.9	40.8	0.6	100.0
Bags, waste, batting and wadding, tents, awnings, etc.—					
Ontario.....	68.7	2.8	27.8	0.7	50.9
Quebec.....	54.0	3.1	42.2	0.7	27.8
Manitoba.....	41.9	.....	58.1	.....	17.0
Alberta.....	59.7	.....	40.3	.....	0.8
British Columbia.....	38.5	.....	61.5	.....	3.5
All provinces.....	58.9	2.3	38.2	0.6	100.0
Specialty fabrics—					
Ontario.....	71.5	4.6	22.4	1.5	55.8
Quebec.....	67.8	6.9	23.4	1.9	44.2
All provinces.....	69.8	5.7	22.8	1.7	100.0

THE STATUS OF THE WAGE-EARNER IN RETAIL TRADE

There was an average of 166,001 full time male employees in retail stores in Canada during the year 1930 and 72,682 females, according to the Census of Merchandising. Part-time employees averaged 23,526 for males and 13,250 for females throughout the year. In spite of this large number of hired employees, there were also 125,169 proprietors or firm members actively engaged in retailing in the same year.

The average number of full-time employees working in independent (including voluntary chains), chain and department stores is shown in Table 91. Of the 166,001 full-time male employees, almost 119,000, or more than 70 per cent, were employed in independent stores. Slightly less than 50 per cent of the female employees, however, were engaged in the same type of store. In other words, more than half of the female workers are employed in either chain or department stores (including mail order houses). Chain stores employed, on the average, 29,075 full-time male employees and 12,418 females, whilst the department stores (including mail order houses) had 17,964 males and 24,199 females.

TABLE 92.—RETAIL MERCHANDISE TRADE—NUMBER OF FULL-TIME EMPLOYEES BY SIZE OF BUSINESS
CANADA, 1930

(All kinds of business combined)

	Number of stores	Net Sales (1) (1930)	Full-time employees		Average Number of employees per store	Per cent of total employees	Percent of total stores	Per cent of total sales
			Male	Female				
CANADA, TOTAL.....	123,839	2,681,204,000	161,975	71,083	1.88	100.00	100.00	100.00
Less than \$5,000.....	47,532	95,355,000	5,789	2,416	.17	3.52	38.38	3.56
\$5,000-\$9,999.....	22,538	158,461,000	10,694	4,112	.66	6.35	18.21	5.95
\$10,000-\$19,999.....	23,438	328,605,000	22,565	7,119	1.27	12.74	18.93	12.26
\$20,000-\$29,999.....	11,583	278,575,000	18,405	5,076	2.03	10.08	19.35	10.39
\$30,000-\$49,999.....	9,431	356,729,000	22,699	6,623	3.11	12.58	7.62	13.30
\$50,000-\$99,999.....	5,979	407,305,000	24,804	8,254	5.54	14.21	4.83	15.19
\$100,000-\$199,999.....	2,145	288,712,000	16,555	6,696	10.84	9.98	1.73	10.77
\$200,000-\$299,999.....	545	130,651,000	6,973	2,955	18.22	4.26	.44	4.87
\$300,000-\$499,999.....	388	144,308,000	7,439	2,857	26.54	4.42	.31	5.38
\$500,000-\$999,999.....	164	109,514,000	5,614	2,055	46.76	3.29	.13	4.08
\$1,000,000 or over.....	86	382,018,000	20,378	22,920	503.47	18.58	.07	14.25

(1) In some instances only the net sales for a group of stores were reported instead of the volume of business for each unit. The figures for such establishments have not been included in this table.

Source: Dominion Bureau of Statistics.

As more than half of the retail stores in Canada had sales of less than \$10,000 per annum it would be expected that the greater part of the employees would be found in the larger stores. The relative proportions of full-time employees by size of business are shown in Table 92. As some chain store companies were unable to furnish details for each of their units the number of employees shown in this table is slightly less than the total number. There was an average of slightly less than two employees per store, but more than 75 per cent of the stores employed less than the average number. It is not until a store is doing more than \$10,000 per annum that the services of a full-time employee are required in addition to those provided by the owner himself, and not until sales exceed \$20,000 are two full-time employees required. The consequence is that less than 10 per cent of the retail workers are employed by stores with annual sales of less than \$10,000, approximately 50 per cent are employed by stores with annual sales from \$10,000 to \$100,000 and, roughly, 40 per cent by stores with sales of more than \$100,000, although the latter formed less than 3 per cent of the total number of establishments. There were 86 stores with sales of \$1,000,000 or more in 1930 and these employed 18·58 per cent of the total number of workers, an average of more than 500 workers per store.

TABLE 93.—RETAIL TRADE—AVERAGE ANNUAL EARNINGS AND AVERAGE WEEKS EMPLOYMENT OF WAGE-EARNERS FOR THE CENSUS YEAR 1931

	MALES		FEMALES	
	Earnings	Weeks employed	Earnings	Weeks employed
	\$		\$	
Retail trade.....	1,043	45.82	605	46.19
Selected trades—				
Clothing and furnishings, men's.....	1,091	44.80	621	45.31
Clothing (including millinery), women's.....	1,110	45.99	627	44.21
Drugs and toilet preparations.....	976	46.78	592	47.65
Furniture and house furnishings.....	1,312	45.95	737	48.08
General and departmental.....	1,222	47.22	659	46.06
Groceries, meats, poultry and fish.....	781	45.19	514	47.20

SOURCE: Dominion Bureau of Statistics.

As wage figures for the Census of Merchandising relate to both male and female employees a clearer picture of average earnings in retail trade can be secured from the Census of Occupations, where separate data are available for male and female wage-earners. The term "wage-earner," as used in the Census, means any person who works for salary or wages, whether an executive, manager or clerk. The Census of Occupations figures for retail trade relate, therefore, to all classes of employees engaged in this industry. In Table 93 are shown the average annual earnings and weeks of employment for all male and female employees reported as engaged in retail trade in Canada during the twelve months preceding June 1, 1931. This table also gives the same details for certain leading retail trades. From this table it will be seen that the average annual earnings for all classes of male employees were \$1,043 and for female employees \$605. Male wage-earners averaged 45·82 weeks of employment in the year, while the average for females was 46·19 weeks.

Of the kinds of business shown furniture and house furnishings were highest in average earnings with \$1,312 for males and \$737 for females. Groceries and meats were lowest with \$781 for males and \$514 for females.

Average weekly earnings from the Census of Occupations are shown in Table 94. Weekly earnings are the average for the period of employment and

thus must be considered in the light of extent of unemployment which has to be borne. For Canada as a whole, the average weekly earnings for all classes of male wage-earners in retail trade was \$22.75 and for females \$13.09. As the Census of Occupations has a separate classification for managers and floor-walkers (practically all of whom are engaged in retail trade), a set of averages has been computed for employees in retail trade other than managers and floor-walkers. The average on this basis is \$20.38 for males and \$12.96 for females. Unfortunately, it was possible to make this calculation only for retail trade as a whole—therefore the average weekly earnings for selected kinds of business relate to all classes. Again it will be found that the average earnings are lowest for groceries and meats in the case of both male and female employees, with drugs and toilet preparations slightly higher.

Manitoba has the highest average earnings for males in retail trade and Prince Edward Island the lowest. For females Alberta has the highest average earnings. Figures were available for Montreal and Toronto and averages for these cities have been included in Table 94. In general, it may be said that average weekly earnings are lowest in the Maritime Provinces and Quebec and highest in Ontario and the Western Provinces.

TABLE 94.—RETAIL TRADE—AVERAGE WEEKLY EARNINGS OF WAGE-EARNERS, BY SEX, FOR THE CENSUS YEAR 1931

District	Retail Trade (all trades)	Retail Trade (excluding Managers and Floor Walkers)	Selected Trades (all occupations)					
			Clothing and Furnishings, Men's	Clothing (including millinery) Women's	Drugs and Toilet Preparations	Furniture and House Furnishings	General and Departmental	Groceries, Meat, Poultry and Fish
<i>Males—</i>	\$	\$	\$	\$	\$	\$	\$	\$
Canada.....	22.75	20.38	24.37	24.13	20.86	25.20	25.89	17.28
Prince Edward Island.....	17.68	15.96	17.49	—	18.66	21.34	17.68	12.67
Nova Scotia.....	19.21	17.38	19.49	22.05	19.04	21.49	18.63	15.31
New Brunswick.....	21.11	18.70	21.74	21.36	19.99	23.63	23.14	15.89
Quebec.....	20.53	18.62	23.75	22.19	18.72	24.30	22.26	15.74
Ontario.....	23.95	21.46	25.30	26.37	22.36	26.49	28.48	18.62
Manitoba.....	25.31	21.82	23.27	26.52	18.43	24.50	29.44	17.12
Saskatchewan.....	23.34	20.38	24.17	34.08	20.86	25.25	22.09	18.02
Alberta.....	24.64	21.99	26.01	24.48	24.64	25.32	25.29	18.76
British Columbia.....	22.96	20.97	24.32	21.71	20.69	24.00	25.05	18.77
Montreal.....	20.64	19.27	23.61	22.35	18.42	24.73	24.56	16.05
Toronto.....	26.42	23.31	27.77	28.05	23.72	27.56	31.03	20.36
<i>Females—</i>								
Canada.....	13.09	12.96	13.71	14.19	12.42	14.68	13.14	10.88
Prince Edward Island.....	9.66	9.54	8.99	13.38	11.43	11.54	9.14	9.05
Nova Scotia.....	10.22	10.06	10.36	11.25	11.51	12.00	9.41	8.87
New Brunswick.....	11.33	11.28	11.20	11.29	9.71	12.53	11.65	9.55
Quebec.....	11.76	11.61	12.04	13.17	11.22	13.66	11.18	10.07
Ontario.....	13.85	13.71	14.91	14.79	13.59	15.63	14.13	11.48
Manitoba.....	13.76	13.64	13.30	14.40	12.62	14.90	13.73	10.64
Saskatchewan.....	13.74	13.58	15.59	15.03	12.19	13.33	13.47	12.01
Alberta.....	14.01	13.90	16.01	15.65	13.66	14.28	13.56	11.81
British Columbia.....	13.75	13.64	15.31	16.16	13.33	15.95	13.42	12.21
Montreal.....	12.81	12.65	12.84	13.94	12.26	15.31	12.05	11.19
Toronto.....	15.55	15.39	17.32	15.52	15.94	17.15	15.43	14.23

SOURCE: Dominion Bureau of Statistics.

It must be borne in mind that not only do the average earnings figures relate to all classes of employees (with the one exception noted above), but that they cover the year ending June 1, 1931. Since that time wage rates have, undoubtedly, declined, although not in any uniform manner. It is, therefore, impossible to say what would be the average weekly earnings in retail trade during 1933 or 1934. Female employees, in a number of provinces, come under the jurisdiction of Minimum Wage Boards, and the minimum wages for such employees are, therefore, administratively set. Table 95 has been constructed from figures contained in the annual reports of the Ontario Minimum Wage Board and shows the distribution of female employees according to weekly earnings for those firms furnishing such information. The proportion of female

employees in retail trade in Ontario covered by such reports is probably about one-third. In 1930, slightly more than 35 per cent of the employees reported were earning less than \$13 per week; by 1933 the proportion was in excess of 61 per cent. Less than half of the female employees reported in 1930 had earnings of less than \$14 per week, whereas in 1933, more than 75 per cent were in this class. On the other hand, the proportion earning less than \$11 per week had only increased from 11.55 per cent in 1930 to 16.46 per cent in 1933, showing that the wage reductions were more severe for the higher paid employees.

TABLE 95.—RETAIL STORES—FREQUENCY DISTRIBUTION OF FEMALE EMPLOYEES, BY RATES OF WAGES, ONTARIO, 1930 AND 1933

Weekly Rate of Wages	1930		1933	
	Per cent of total	Cumulative Percentages	Per cent of total	Cumulative Percentages
	100.00		100.00	
Under \$7.00.....	.03	.03	.18	.18
\$7.00-\$7.99.....	.28	.31	.74	.92
8.00- 8.99.....	1.63	1.94	1.65	2.57
9.00- 9.99.....	3.04	4.98	4.97	7.54
10.00-10.99.....	6.57	11.55	8.92	16.46
11.00-11.99.....	5.90	17.45	10.39	26.85
12.00-12.99.....	17.88	35.33	34.54	61.39
13.00-13.99.....	10.37	45.70	13.87	75.26
14.00-14.99.....	9.57	55.27	6.78	82.04
15.00-15.99.....	11.66	66.93	5.66	87.70
16.00-17.99.....	12.74	79.67	6.41	94.11
18.00-19.99.....	8.68	88.35	3.09	97.20
20.00-21.99.....	4.76	93.11	1.10	98.30
22.00 and over.....	6.89	.....	1.70	.....
Total number of employees.....	11,199	.....	10,792	.....

SOURCE: Reports of the Ontario Minimum Wage Board.

TABLE 96.—MERCANTILE TRADES—RELATIVE PROPORTIONS OF FEMALE EMPLOYEES RECEIVING MINIMUM WAGES, LESS THAN MINIMUM AND MORE THAN MINIMUM IN ONTARIO AND BRITISH COLUMBIA, ACCORDING TO THE REPORTS OF THE MINIMUM WAGE BOARDS, 1933

Province	Per cent Receiving less than Minimum Wage for Experienced Work	Per cent Receiving Minimum Wage for Experienced Work (approximate)	Per cent Receiving more than Minimum Wage for Experienced Work
Ontario (Cities 30,000 and over, including Toronto).....	10.64	42.57	46.79
British Columbia.....	27.00	40.81	32.19

NOTE.—A much higher proportion of female employees in retail trade is covered by the reports for British Columbia than by those for Ontario. This factor may influence the relative distribution.

DEPARTMENT STORES AND MAIL ORDER HOUSES

The department stores and mail order houses are among the largest employers of labour in the retail field. Slightly more than 10 per cent of the full-time male employees and almost one-third of the female employees covered by the Census of Merchandising were reported by department stores or mail order houses. These establishments provide opportunities for both experienced

and inexperienced workers and for youths as well as mature persons. While no figures are available on labour turnover in retail trade, it is reasonable to assume that the rate is fairly high, particularly in the case of young female employees.

While the shopping public comes into contact chiefly with the sales clerks, the complex organization of the modern department store necessitates the employment of many persons in non-selling activities. In the larger stores there are generally as many non-selling female employees as sales clerks and from two to three times as many non-selling male employees as sales clerks.

Toronto.—The distribution of store employees in the two Toronto department stores is given in Tables 97 ⁽¹⁾ and 98. The figures relate to April, 1933, in the case of the T. Eaton Company, Limited, and January, 1934, for the Robert Simpson Company, Limited. Table 97 shows that none of the sales clerks in the T. Eaton Company were receiving less than \$10 per week, but

TABLE 97.—THE T. EATON COMPANY LIMITED, TORONTO STORE

FREQUENCY DISTRIBUTION OF STORE EMPLOYEES (FULL-TIME) ACCORDING TO WEEKLY RATES OF WAGES*
APRIL 1933

(Excluding management, restaurant and mail order employees)

Weekly Rate of Wages	Female Employees		Male Employees	
	Sales Clerks	Total Store Employees	Sales Clerks	Total Store Employees
	Per cent	Per cent	Per cent	Per cent
Under \$10.00.....		1.7		2.4
\$10.00—\$12.49.....	1.7	4.4	1.9	5.4
12.50—12.99.....	67.0	50.0	3.0	5.8
13.00—15.99.....	15.6	27.3	22.3	12.3
16.00—18.99.....	11.8	10.3	16.6	18.2
19.00—21.99.....	1.4	2.3	29.7	30.3
22.00—25.99.....	1.5	2.4	17.1	13.7
26.60—30.99.....	.4	1.1	5.3	7.4
31.00—40.99.....	.6	.5	3.8	4.0
41.00—50.00.....			.3	.5
Total.....	100.0	100.0	100.0	100.0
Total number of employees.....	1,200	2,989	637	2,949

*Excluding Commissions.

⁽¹⁾ Unless otherwise stated, the tables in this memorandum have been based on the reports of the auditors to the Commission.

TABLE 98.—THE ROBERT SIMPSON COMPANY LIMITED, TORONTO STORE

FREQUENCY DISTRIBUTION OF STORE EMPLOYEES (FULL TIME) ACCORDING TO WEEKLY RATES IN WAGES
JANUARY 1934

(Excluding management, restaurant and mail order employees)

Weekly Rate of Wages	Female Employees		Male Employees	
	Sales Clerks	Total Store Employees	Sales Clerks	Total Store Employees
	Per cent	Per cent	Per cent	Per cent
Under \$10.00.....	.5	3.8	1.5	4.8
\$10.00—\$12.49.....	1.1	3.3	6.4	5.3
12.50.....	51.1	50.0	1.8	1.3
13.00—15.49.....	29.7	27.0	10.6	8.3
15.50—18.49.....	11.2	9.7	19.0	23.0
18.50—21.49.....	2.2	2.1	20.6	27.8
21.50—25.49.....	1.9	1.9	12.9	9.9
25.50—30.49.....	1.1	1.2	17.2	10.3
30.50—35.49.....	.7	.5	4.6	3.3
35.50—40.49.....	.3	.3	3.5	3.1
40.50—45.49.....	.2	.1	1.2	1.1
45.50—50.49.....			.5	.6
50.50—60.49.....		.1	.2	.6
60.50—75.00.....				.5
Over \$75.00.....				.1
Total.....	100.0	100.0	100.0	100.0
Total number of employees.....	886	1,569	605	1,405

that 1.7 per cent of all female store employees and 2.4 per cent of all male employees received less than \$10 per week. In the case of the Robert Simpson Company, 3.8 per cent of the females and 4.8 per cent of the males received less than \$10 per week. As the minimum wage for female employees in Toronto department stores is \$12.50 per week, the bulk of the female employees is grouped around this figure. Sixty-seven per cent of the Eaton female sales clerks and 51 per cent of the Simpson female sales clerks received the minimum wage. If commissions were included the proportions might be closer. For all female store employees, the proportions are, roughly, the same, although the slight differences in the class intervals prevent a direct comparison. Cumulating the percentages, we find that 56.1 per cent of Eaton female store employees and 57.1 per cent of Simpson female store employees received less than \$13 per week. Again, 83.4 per cent of Eaton female store employees received less than \$16 per week, while 84.1 per cent of Simpson female store employees received less than \$15.50 per week.

In the case of male sales clerks, we find that in Eaton's 27.2 per cent received less than \$16 per week and in Simpson's 20.3 per cent received less than \$15.50 per week. These figures indicate a much higher average wage for male than female employees. More than half of the male store employees in both Eaton's and Simpson's received more than \$19 per week.

Montreal.—Wage rates in department stores in Montreal were considerably lower than in Toronto. Information for four companies is given in Tables 99 and 100. The proportion of female clerks receiving less than \$10 per week ranges from 54.0 per cent for Dupuis Frères to 4.9 per cent for the T. Eaton Company. The percentages of all female store employees receiving less than \$13 per week (including those receiving less than \$10) were 90.7 per cent for Dupuis Frères, 69.4 per cent for Eaton's, 59.6 per cent for Simpson's and 56.3 per cent for Ogilvy's.

ROYAL COMMISSION ON PRICE SPREADS

TABLE 99.—DEPARTMENT STORES—MONTREAL

Frequency Distribution of Female Store Employees (Full-time) According to Weekly Rates of Wages

Weekly Rate of Wages	T. Eaton Co., Ltd. Oct. 1933		R. Simpson Co. Ltd., Jan. 1934		Dupuis Frères Ltée, Jan. 1934		Jas. A. Ogilvy, Ltd., Jan. 1934	
	Sales Clerks	Total Store Em- ployees	Sales Clerks	Total Store Em- ployees	Sales Clerks	Total Store Em- ployees	Sales Clerks	Total Store Em- ployees
	%	%	%	%	%	%	%	%
Under \$10.00.....	4.9	18.0	14.0	23.5	54.0	56.6	16.4	27.0
\$10.00—\$12.99.....	69.5	51.4	41.3	36.1	38.5	34.1	32.8	29.3
\$13.00—\$14.99.....	15.7	16.3	19.4	17.0	2.8	3.6	19.8	14.8
\$15.00—\$17.99.....	4.9	7.0	14.0	12.2	3.8	4.2	16.4	17.1
\$18.00—\$29.99*	1.8	2.7	4.7	4.2	.9	1.2	12.9	9.5
\$21.00—\$29.99*	2.6	4.0	5.8	5.4		.3	1.7	1.8
\$30.00—\$34.99*	.4	.4	.4	1.4				.5
\$35.00—\$39.99*	.2	.2	.4	.2				
\$40.00 and over*								
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total number of employees	534	1,102	278	425	213	331	116	222

*The following classes were used for the T. Eaton Co. Ltd.:

\$18.00—\$19.99
 \$20.00—\$30.49
 \$30.50—\$35.49
 \$35.50—\$40.99
 \$41.00 and over.

TABLE 100.—DEPARTMENT STORES—MONTREAL

Frequency Distribution of Male Store Employees (Full-time) According to Weekly Rates of Wages

Weekly Rate of Wages	T. Eaton Co. Ltd., Oct. 1933		R. Simpson Co. Ltd., Jan. 1934		Dupuis Frères Ltée, Jan. 1934		Jas. A. Ogilvy, Ltd., Jan. 1934	
	Sales Clerks	Total Store Em- ployees	Sales Clerks	Total Store Em- ployees	Sales Clerks	Total Store Em- ployees	Sales Clerks	Total Store Em- ployees
	%	%	%	%	%	%	%	%
Under \$10.00.....	.8	7.7	4.3	14.4	7.3	12.2	6.8	4.2
\$10.00—\$12.99.....	11.1	12.6	11.7	8.6	9.1	12.1	13.6	15.9
\$13.00—\$14.99.....	11.0	13.4	2.2	4.1	12.7	10.0	6.7	9.8
\$15.00—\$17.99.....	29.0	27.8	29.0	16.7	20.0	18.0	20.3	22.6
\$18.00—\$20.99*	24.0	18.3	19.4	28.5	30.0	28.5	20.3	17.7
\$21.00—\$29.99*	20.9	17.6	17.2	16.3	15.5	14.2	27.2	23.8
\$30.00—\$34.99*	2.8	1.5	4.3	3.6	3.6	2.5	3.4	3.0
\$35.00—\$39.99*	.4	.9	9.7	6.3	.9	2.1	1.7	3.0
\$40.00 and over*		.2	2.2	1.5	.9	.4		
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total number of employees	254	914	93	221	110	239	59	164

*The following classes were used for the T. Eaton Co. Ltd.:

\$18.00—\$19.99
 \$20.00—\$30.49
 \$30.50—\$35.49
 \$35.50—\$40.99
 \$41.00 and over.

In the case of male store employees, we find from Table 100 that the percentages receiving less than \$10 per week ranged from 14.4 per cent for Simpson's to 4.2 per cent for Ogilvy's. The percentages of total male store employees receiving less than \$15 per week were 34.3 per cent in Dupuis Frères, 33.7 per cent in Eaton's, 29.9 per cent in Ogilvy's and 27.1 per cent in Simpson's. The proportions receiving \$18 or more a week were 38.5 per cent for Eaton's, 47.5 per cent for Ogilvy's, 47.7 per cent for Dupuis Frères and 56.2 per cent for Simpson's.

Winnipeg.—In Winnipeg, as in Toronto, no female sales clerks in Eaton's were receiving less than \$10 per week. Table 101 shows that 2.8 per cent of all female store employees in Eaton's and 7.2 per cent in Hudson's Bay Company received less than \$10 per week. The percentages of all female store employees receiving less than \$13 per week (including those receiving less than \$10) were 42.0 per cent in Eaton's and 49.7 per cent for Hudson's Bay Company.

Four per cent of all male store employees in the Hudson's Bay Company received less than \$10 per week, but only 0.2 per cent of Eaton employees were in this class. In Eaton's, 56.6 per cent of all male employees received \$22 or more per week, and 41.4 per cent of the employees in Hudson's Bay (if the unclassified workers are included in this group).

TABLE 101.—DEPARTMENT STORES—WINNIPEG

Frequency Distribution of Store Employees (Full-time) According to Weekly Rates of Wages

Weekly Rate of Wages	Female Employees				Male Employees			
	T. Eaton Co. Ltd., April 1933		Hudson's Bay Co., March 1933		T. Eaton Co. Ltd., April 1933		Hudson's Bay Co., March 1933	
	Sales Clerks	Total Store Em- ployees	Sales Clerks	Total Store Em- ployees	Sales Clerks	Total Store Em- ployees	Sales Clerks	Total Store Em- ployees
	%	%	%	%	%	%	%	%
Under \$10.00.....		2.8	5.6	7.2		.2	.9	4.0
\$10.00—\$12.99.....	37.1	39.2	44.2	42.5	7	3.0	3.7	8.4
\$13.00—\$15.99.....	48.5	44.2	36.2	31.7	4.6	5.5	9.4	11.2
\$16.00—\$18.99.....	9.7	8.6	8.8	12.6	13.0	9.6	17.8	15.7
\$19.00—\$21.99.....	1.4	1.7	4.0	3.4	14.4	25.1	11.2	19.3
\$22.00—\$25.99.....	1.8	1.7		1.2	34.8	30.7	41.1	22.1
\$26.00—\$30.99.....	1.1	1.1		.4	20.8	12.9		7.4
\$31.00—\$35.99.....	.2	.2		.4	7.0	7.8		4.5
\$36.00—\$40.99.....		.3			2.5	2.5		2.2
Over \$41.00.....	.2	.2			2.2	2.6		1.0
Unclassified.....			1.2	.6			15.9	4.2
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total number of employees	555	1,816	251	501	284	1,307	107	403

Comparison by Cities.—A comparison of the distribution of store employees in certain cities is possible from Table 102, in which the figures for individual stores are combined for Montreal, Toronto and Winnipeg. In the 1929-30 period, 23.8 per cent of female store employees in Montreal received less than \$10 per week, compared with 5.4 per cent in Toronto and 3.5 per cent in Winnipeg. By 1933-34, the proportion in Montreal had risen to 26.1, and in Winnipeg to 3.9 per cent, but in Toronto it had dropped to 2.4 per cent. In the earlier period, practically half of the female employees in Montreal stores received less than \$13 per week, compared with 18.6 per cent in Toronto and 30.0 per cent in Winnipeg.

The cumulative figure for those receiving less than \$15 per week in 1929-30 was 64.0 per cent for Montreal stores and practically the same for Winnipeg, 66.0 per cent, while in Toronto it was only 51.4 per cent.

In the same wage group, less than \$15, the percentages for the three cities are much closer in 1933-34, being 85.1 per cent for Montreal, 83.6 per cent for Toronto and 85.2 per cent for Winnipeg.

Male employees receiving less than \$10 per week in 1929-30 constituted 7.4 per cent of male store employees in Montreal, 3.2 per cent in Toronto, and 0.2 per cent in Winnipeg. By 1933-34, the proportions were 9.5 per cent for Montreal, 1.1 per cent for Winnipeg and the same proportion as before in Toronto. Those receiving less than \$18 per week formed 30.2 per cent of the total in Montreal in 1929-30, but only 23.8 per cent in Toronto and 20.3 per cent in Winnipeg. By 1933-34, more than half the male employees in Montreal—namely, 57.1 per cent—were receiving less than \$18 per week and 43.6 per cent in Toronto were also drawing less than \$18. In Winnipeg, however, the percentage increased only from 20.3 to 23.3 per cent.

TABLE 102.—DEPARTMENT STORES—CUMULATIVE PERCENTAGE DISTRIBUTION OF STORE EMPLOYEES ACCORDING TO WEEKLY RATES OF WAGES, BY CITIES, 1929-30 AND 1933-34

(Exclusive of management, restaurant and mail order employees)

FEMALE EMPLOYEES

	Montreal		Toronto		Winnipeg	
	1929-30	1933-34	1929-30	1933-34	1929-30	1933-34
Percentage of total store employees at—						
Less than \$10 per week.....	23.8	26.1	4.4	2.4	3.5	3.9
“ “ 13 “ “	50.3	70.9	18.6	56.4	30.0	43.9
“ “ 15 “ “	64.0	85.1	51.4	83.6	66.0	85.2
“ “ 18 “ “	80.1	92.9	76.6	93.7	85.8	94.8
“ “ 21 “ “	87.6	95.7	86.9	95.9	92.6	96.9
“ “ 30 “ “	97.5	99.3	97.4	99.3	98.1	99.4
“ “ 35 “ “	98.9	99.8	98.9	99.8	99.0	99.5
“ “ 40 “ “	99.7	100.0	99.5	99.9	99.4	99.8
\$40 and over.....	0.3	.....	0.5	0.1	0.6*	0.2*

MALE EMPLOYEES

Percentage of total store employees at—						
Less than \$10 per week.....	7.4	9.5	3.2	3.2	0.2	1.1
“ “ 13 “ “	15.5	21.4	9.0	12.9	6.3	5.4
“ “ 15 “ “	18.7	32.8	14.5	23.9	11.8	12.2
“ “ 18 “ “	30.2	57.1	23.8	43.6	20.3	23.3
“ “ 21 “ “	47.2	78.8	37.3	73.1	27.0	47.0
“ “ 30 “ “	86.2	95.6	82.3	93.9	75.0	87.3
“ “ 35 “ “	93.5	97.6	91.1	97.0	84.0	94.3
“ “ 40 “ “	97.8	99.6	94.7	98.7	90.7	96.8
\$40 and over.....	2.2	0.4	5.3	1.3	9.3*	3.2

NOTE.—As the class intervals for all stores were not the same, the above distributions represent approximate approximations in certain instances. Figures for the following companies are combined in this table:

Montreal.... T. Eaton Co., Ltd. R. Simpson Co., Ltd. Dupuis Frères, Ltée.
 Toronto.... T. Eaton Co., Ltd. R. Simpson Co., Ltd.
 Winnipeg.... T. Eaton Co., Ltd. Hudson's Bay Company.

*Includes some unclassified employees.

Reduction in Earnings.—During the period of the depression, employees in department stores, in common with workers generally, suffered reductions in earnings. The extent of the reduction in average rates of wages for sales clerks

is suggested by the figures given in Table 103. It should be borne in mind that reductions in wage rates do not necessarily show the extent of the decline in actual earnings, as other factors—such as short time, enforced holidays, reductions in commissions and other factors—enter into the determination of the actual amounts which may be contained in a pay envelope.

It may be interesting to compare the average weekly earnings for 1929-30 given in Table 104, with those obtained from the census results, which were given in Table 94..

TABLE 103—COMPARISON OF AVERAGE WEEKLY EARNINGS REPORTED FOR CENSUS OF OCCUPATIONS AND AVERAGE WEEKLY WAGES OF EMPLOYEES IN DEPARTMENT STORES

	Winnipeg	Toronto	Montreal
<i>Females:</i>	\$	\$	\$
Census figures—			
Retail Trade (ex-managers).....	13.64*	15.39	12.65
General and departmental.....	13.73*	15.43	12.05
Auditors' figures—			
<i>Sales Clerks:</i>			
T. Eaton Company Limited.....	16.60	17.76	15.77
R. Simpson Company Limited.....		17.49	17.67
Dupuis Frères L'tée.....			10.18
Hudson's Bay Company.....	14.97		
<i>Males:</i>			
Census figures—			
Retail Trade (ex-managers).....	21.82*	23.31	19.27
General and departmental (inc. managers).....	29.44*	31.03	24.56
Auditors' figures—			
<i>Sales Clerks:</i>			
T. Eaton Company Limited.....	26.94	26.63	24.68
R. Simpson Company Limited.....		29.02	27.40
Dupuis Frères L'tée.....			18.65
Hudson's Bay Company.....	27.09		

* Census figures for Manitoba.

TABLE 104—DEPARTMENT STORES—AVERAGE WEEKLY EARNINGS OF SALES CLERKS, IN CERTAIN STORES, 1929-30 AND 1933-34

Company	Winnipeg			Toronto			Montreal		
	1929-30	1933-34	Decrease	1929-30	1933-34	Decrease	1929-30	1933-34	Decrease
	\$	\$	Per cent	\$	\$	Per cent	\$	\$	Per cent
<i>Female:—</i>									
T. Eaton Co., Ltd.....	16.60	14.37	13.43	*17.76	*15.66	11.82	15.77	12.90	18.20
R. Simpson Co. Ltd.....				17.49	14.26	18.47	17.67	13.25	25.01
Dupuis Frères, Ltée.....							10.18	10.09	.88
Hudson's Bay Co.....	14.97	13.18	11.96						
<i>Male:—</i>									
T. Eaton Co., Ltd.....	26.94	24.04	10.76	*26.63	*22.20	16.64	24.68	19.06	22.77
R. Simpson Co., Ltd.....				29.02	21.43	26.15	27.40	20.89	23.76
Dupuis Frères, Ltée.....							18.65	18.17	2.57
Hudson's Bay Co.....	27.09	21.14	21.96						

*Including commissions.

NOTE.—As different bases of wage payments are used by different companies, and as the wage data do not all relate to similar periods, no comparisons are suggested.

The above comparison shows that, with the exception of Dupuis Frères Ltée, the average wage of female sales clerks was higher than the average for all female employees in this trade. It should be pointed out that the census figures relate to all wage-earners, whether on a part-time or full-time basis or irrespective of occupations, and the comparison, therefore, cannot be pressed very far. With the same exception as before the average of male sales clerks in department stores is higher than the average for male employees in retail

trade, but the reservations just mentioned apply here as well. The averages, however, are lower than the Census figures for general and department stores, but the latter include earnings of managers and executives as well as those of clerks.

The reductions in average weekly earnings range from less than 1 per cent in the case of female sales clerks in Dupuis Frères to 25·01 per cent for Simpson's in Montreal. In the case of male sales clerks the reductions range from 2·57 per cent for Dupuis Frères to 26·15 per cent for Simpson's in Toronto.

Mail Order Employees.—Tables 105, 106 and 107 present figures for merchandise employees in certain mail order departments in a similar manner to that already followed for store employees. It is necessary to point out that, as the Robert Simpson Company pursued a policy of spreading work and thus reducing earnings by having employees work short time, the scale of weekly wage rates is not an accurate picture of actual earnings. The apparent increase in weekly earnings, as shown in Table 107, for the Robert Simpson Company, Limited, is misleading unless account is taken of the reduction in the period of employment in 1933 compared with 1929.

TABLE 105.—MAIL ORDER DEPARTMENTS—FREQUENCY DISTRIBUTION OF MERCHANDISE EMPLOYEES IN THE T. EATON COMPANY LIMITED, ACCORDING TO RATES OF WAGES, 1933.

Weekly rate of wages	Winnipeg, April, 1933	Toronto, April, 1933	Moncton, October, 1933	Winnipeg, April, 1933	Toronto, April, 1933	Moncton, October, 1933
	per cent	per cent	per cent	per cent	per cent	per cent
Under \$10.00.....		1.2	33.3		0.8	6.9
\$10.00—\$12.99.....	49.3	53.9	50.5	1.8	15.6	18.1
\$13.00—\$15.99.....	45.2	32.9	13.5	6.9	14.9	21.6
\$16.00—\$18.99.....	4.2	9.0	0.9	7.8	17.9	13.8
\$19.00—\$21.99.....	1.3	0.6	0.9	9.2	24.6	13.8
\$22.00—\$25.99.....		1.8	0.9	38.3	16.4	9.5
\$26.00—\$30.99.....		0.6		19.8	8.2	10.3
\$31.00—\$35.99.....				7.4	0.8	4.3
\$36.00—\$40.99.....				2.8	0.8	1.7
\$41.00 and over.....				6.0		
Total.....	100.0	100.0	100.0	100.0	100.0	100.0
Total number of employees.	239	167	111	217	134	116

TABLE 106.—MAIL ORDER DEPARTMENTS—FREQUENCY DISTRIBUTION OF MERCHANDISE MAIL ORDER EMPLOYEES IN THE ROBERT SIMPSON COMPANY LTD., TORONTO, AND DUPUIS FRERES LTEE. MONTREAL, ACCORDING TO WEEKLY RATES OF WAGES, 1934.

Weekly Rate of Wages	R. Simpson Co. Ltd. January, 1934		Weekly Rate of Wages	Dupuis Frères Ltée January, 1934	
	Female	Male		Female	Male
	Per cent	Per cent		Per cent	Per cent
Under \$10.00.....		1.0	Under \$10.00.....	64.7	42.7
\$10.00—\$12.50.....	32.0	9.5	\$10.00—\$12.99.....	21.6	24.1
\$13.00—\$15.00.....	43.0	7.6	\$13.00—\$14.99.....	3.4	
\$15.50—\$18.00.....	16.0	8.6	\$15.00—\$17.99.....	10.3	12.9
\$18.50—\$21.00.....	3.7	7.6	\$18.00—\$20.99.....		11.1
\$21.50—\$25.00.....	3.3	31.4	\$21.00—\$24.99.....		1.8
\$25.50—\$30.00.....	1.2	11.4	\$25.00—\$29.99.....		1.8
\$30.50—\$35.00.....	.4	8.6	\$30.00—\$34.99.....		5.6
\$35.50—\$40.00.....	.4	7.6	\$35.00—\$39.99.....		
\$40.00 and over.....		6.7	\$40.00 and over.....		
Total.....	100.0	100.0	Total.....	100.0	100.0
Total number of employees.....	244	105	Total number of employees.....	116	293

TABLE 107.—MAIL ORDER DEPARTMENTS—AVERAGE WEEKLY EARNINGS OF MERCHANDISE EMPLOYEES IN CERTAIN MAIL ORDER HOUSES, 1929-39 AND 1933-34

	Winnipeg			Toronto			Montreal		
	1929-30	1933-34	Per cent Decrease or Increase	1929-30	1933-34	Per cent Decrease or Increase	1929-30	1933-34	Per cent Decrease or Increase
	\$	\$		\$	\$		\$	\$	
<i>Female—</i>									
T. Eaton Co., Ltd.....	14.94	13.24	-11.38	16.28	13.36	-17.94			
R. Simpson Co., Ltd.....				14.66	14.92	+ 1.77			
Dupuis Frères Ltée.....							8.71	9.19	+5.51
Hudson's Bay Co.									
<i>Male—</i>									
T. Eaton Co. Ltd.....	27.74	25.72	- 7.28	23.95	19.02	-20.58			
R. Simpson Co., Ltd.....				24.53	24.62	- 0.37			
Dupuis Frères Ltée.....							15.66	12.38	- 20.25
Hudson's Bay Co.									

NOTE.—As different bases of wage payments are used by different companies, and as the wage data do not all relate to similar periods, no comparisons are suggested.

Part-time Employees.—The department stores employ considerable numbers of part-time employees, some of whom work regular hours each day or week, while others are used at rush periods or for sales. There seems, however, to have been little tendency for the proportion of such employees to increase during the depression and, in fact, in a number of stores the relative number was less in recent years than before the depression.

CHAIN STORES

(1) FOOD CHAINS

The food chains are the most important group in the chain store field and employ the largest proportion of workers. According to the results of the Census of Merchandising, there were 6,842 full-time male employees and 2,653 full-time females employed in food chains in Canada in 1930. There were also 2,299 part-time male workers and 714 females. It will thus be seen that the food chains employ a fair higher proportion of part-time male than female workers.

The determination of relative wage levels in chain stores offers far greater difficulties than is the case with department stores. The department store combines a great many kinds of business in its departments, each of which is given considerable freedom to determine its merchandising policy. The chain store, typically, represents one kind of business carried on under centralized management in a great many different establishments. The chain store is thus quite different from the department store and has only a superficial resemblance to the independent store.

The typical independent store is owned by an individual proprietor who engages actively in the business, provides the managerial services and undertakes the financial risks involved. While at first sight there might appear to be a resemblance between the independent proprietor and the manager of a chain store unit, a closer inspection reveals that there are wide differences. The independent proprietor secures the capital to operate his business and carries the risks involved. The chain store company performs these functions for its units. The independent proprietor secures the business property for his store

and arranges the terms of lease or ownership. The chain store company makes these arrangements for its units. The independent proprietor selects the stock for his store and arranges for the supply of goods from wholesaler or manufacturer. The chain store company provides these services for its units. The independent proprietor determines the prices for his goods and the manner in which they are to be sold. In large measure the chain store company makes these decisions for its units.

What, then, it may be asked are the functions of a manager of a chain store unit? While there are differences between chain store companies, in general it may be said that the typical chain store manager bears a closer relationship to a chief clerk in a large independent store than he does to an independent proprietor. At the same time, a most serious feature in his position, and one which makes him more than a chief clerk is that he is held responsible for the operations of his unit, although having no power to determine the merchandising policies. His responsibilities for store inventories and operating ratios are much greater than those of a clerk working under an independent proprietor. If he were relieved of these responsibilities to some extent (as is already the practice in some chains), his duties would be more in keeping with the authority given him.

Wage Rates—Ontario

The average weekly earnings of full-time employees in the food chains investigated by the Commission are shown in Tables 108 and 109. In the Ontario divisions the average weekly earnings of all male employees (including managers)

TABLE 108.—FOOD CHAINS—SUMMARY OF AVERAGE WEEKLY WAGES AND COMMISSIONS PAID FULL-TIME MALE STORE EMPLOYEES IN THE ONTARIO DIVISIONS, OF CERTAIN COMPANIES, 1934

Company	All Occupations		Managers		Asst. Managers		Clerks		Delivery Boys	
	Number	Average Wage	Number	Average Wage	Number	Average Wage	Number	Average Wage	Number	Average Wage
Great Atlantic & Pacific Tea Co. Ltd. (week ended April 14).....	805	\$ 19.01		\$		\$		\$	115	\$ 6.39
	494	11.72	163	33.07			232	12.26		
			149	27.81			147	15.03		
Carrolls Ltd. (week ended April 28).....	25	15.16								
	13	9.31	12	21.50			7* 6*	12.14 6.00		
Dominion Stores Ltd. (week ended March 17).....	788	16.67							217	6.01
	442	9.53	280	25.69			194	10.69		
Loblaws Groceries (week ended March 26).....	329	23.99	66	26.21			61	13.69		
	62	16.48	111	35.14	73	20.57				
Stop & Shop Ltd. (week ended February 24).....			18	25.66	34	16.06				
			18	16.50	13	12.69				
							39	17.38		
							10	15.70		
							13	14.38		
T. Eaton Groceries—12 representative stores only (week ended October 17).....	52	20.12							61	6.50
	31	14.38	21	28.62						
Excluding managers.....	168	9.78	47	25.90			59	8.59		
			44	28.23			48	15.41		
Excluding managers.....										
Excluding managers.....										

* 7 men and 6 boys.

TABLE 109.—FOOD CHAINS SUMMARY OF AVERAGE WEEKLY WAGES AND COMMISSIONS PAID FULL-TIME FEMALE STORE EMPLOYEES IN THE ONTARIO DIVISIONS OF CERTAIN COMPANIES, 1934

Company	All Occupations		Clerks	
	Total Number	Average Wage	Number	Average Wage
		\$		\$
Great Atlantic & Pacific Tea Co., Ltd. (week ended April 14, 1934).....	15	12.57	15	12.57
Carrolls Limited (week ended April 28, 1934).....	203	11.79	101	10.64
Excluding managers.....	101	10.64		
Managers.....			102	12.93
Dominion Stores Ltd. (week ended March 17, 1934)...	110	10.85	110	10.85
Loblaws Groceries Ltd. (week ended March 26, 1934)...	246	15.38		
Head checkers.....			111	17.11
Second checkers.....			39	14.82
Biscuit sales girls.....			96	13.61
Stop and Shop Limited (week ended Feb. 24, 1934)...	8	12.50	8	12.50
T. Eaton Groceries—12 stores only (week ended October 17, 1934).....	20	11.92	20	11.92

range from \$23.99 in the Loblaw Groceries to \$15.16 in Carroll's Limited. Unfortunately, only in the case of Loblaw's Groceries is information available regarding the wage policies of these companies since 1931. However, if we refer to Table 94 again, we find that for the census year the average earnings of all male employees in grocery and meat stores were \$18.62 for Ontario as a whole and \$20.36 for the City of Toronto. As noted before, it is not possible to determine how far average earnings have fallen since the census year, nor, as was just mentioned, are the wage scales of the chain store companies available for the census year.

If there have been no marked changes in the rate of wages paid by these chain companies since 1930-31, then the average wage paid by Carroll's Limited, Dominion Stores, Limited, and Stop and Shop, Limited, to all male employees (including managers) was lower than the Census average for the same kind of business. If there have been reductions in wage rates exceeding 10 per cent in this period, these companies were paying somewhat above the average wage if managers' earnings are included.

The average earnings of male employees (excluding managers) are shown in Table 108 to range from \$9.31 for Carroll's Limited, to \$16.48 in Loblaw's Groceries. If there were the same proportion of managers and floor walkers in the grocery and meat field in Ontario as in all retail trade, we could reduce the average earnings from the census results by \$2.49, which would give \$18.62—\$2.49, or \$16.13 as the average earnings of male employees (excluding managers) in Ontario in 1930-31. While the actual average may have been a dollar or so higher or lower than this figure, it seems safe to assume that the three chain store companies which had the lowest average for all employees were probably paying wages below the average to their male employees, exclusive of managers. There is a possibility that the lower average might be due to a greater proportion of inexperienced or youthful workers than are found in all stores.

The average weekly earnings of female employees are shown in Table 109. With the exception of Loblaw's Groceries and Carroll's Limited, the chain stores investigated do not have a very large proportion of female employees. It will be noted that the average earnings of female clerks exceed the average for male grocery clerks in the following companies: A. & P., Dominion Stores, Limited, Stop & Shop, Limited. In the first two cases, the difference is very slight. The average earnings of all female employees (full-time and part-time) according to Table 94 were \$11.48 for grocery and meat stores in Ontario. It would appear, therefore, that the chain stores are paying about the going wage to female employees in this kind of business.

The proportions of low paid employees are shown in Table 110. In the Ontario divisions, 16.5 per cent of all male employees (including managers) in A. & P., 28.0 per cent in Carroll's Limited, 38.3 per cent in Dominion Stores, and 41.7 per cent in Stop & Shop, received less than \$10 per week. For grocery clerks alone, A. & P. had 6.0 per cent, Dominion Stores 48.5 per cent, Carroll's Limited 53.9 per cent, and Stop & Shop 69.5 per cent. While A. & P. had a slightly larger percentage of its female clerks receiving under \$10, the other companies had far smaller proportions.

TABLE 110.—FOOD CHAINS—PROPORTIONS OF EMPLOYEES RECEIVING LESS THAN \$10.00 PER WEEK, 1934

Company	Male			Female	
	Per cent of Total Male Employees (including managers)	Per cent of Grocery Clerks	Per cent of Meat Clerks	Per cent of Total Female Employees (including managers)	Per cent of Grocery Clerks
<i>Ontario Divisions—</i>					
Dominion Stores Ltd. (week ended March 17, 1934).....	38.3	48.5	.....	15.5	15.5
Great Atlantic & Pacific Tea Co., Ltd. (week ended April 13, 1934).....	16.5	6.0	4.8	6.7	6.7
Stop & Shop Limited (week ended February 24, 1934).....	41.7	69.5	14.6	.....	.....
Carrolls Limited (week ended April 28, 1934).....	28.0	53.9	.....	13.8	26.7
<i>Quebec Divisions—</i>					
Dominion Stores Ltd. (week ended March 17, 1934).....	47.0	49.7*	.....	60.0	60.0
Great Atlantic & Pacific Tea Co. Ltd. (week ended April 28, 1934).....	45.6	59.1	.....	33.3	33.3
Stop & Shop Limited (week ended February 24, 1934).....	50.4	64.4	20.0	25.0	25.0
Steinbergs Service Stores Ltd. (week ended April 28, 1934).....	11.8	14.3	.....	9.5	12.5

*Includes meat clerks.

Quebec Divisions

In Quebec the average weekly earnings of all male employees (including managers) as shown in Table 111 ranged from \$16.32 for Steinberg's Service Stores, Limited, to \$10.70 for Thrift Stores. This shows a distinctly lower scale for Quebec than for Ontario. The census average in Table 94 for grocery and meat stores was \$15.74 for Quebec Province and \$16.05 for Montreal City. In view of the fact that only one chain was paying an average greater than the census figure, there are good grounds for surmising that the other chain companies were paying wages below the average for all stores. The average earnings for male employees, other than managers, were \$7.60 for A. & P., \$7.65 for Dominion Stores, \$7.73 for Thrift Stores, \$8.54 for Stop & Shop, and \$14.55 for Steinberg Service Stores.

The average earnings of female employees are shown in Table 112. In four of the five companies the average is between \$9 and \$9.60. These compare with an average of \$10.07 for Quebec Province and \$11.19 for Montreal, as given in the census returns for 1930-31.

The percentages of employees receiving less than \$10 per week are shown in Table 110. There we find that for male employees the proportions are definitely higher in Quebec than in Ontario for the three companies operating in both provinces. For clerks alone there is not a great deal of difference for

Dominion Stores and Stop & Shop, but a much higher proportion for A. & P. in Quebec. The increased proportion of female employees receiving less than \$10 is clearly shown in Quebec compared with Ontario.

TABLE 111.—FOOD CHAINS—SUMMARY OF AVERAGE WEEKLY WAGES AND COMMISSIONS PAID FULL-TIME MALE STORE EMPLOYEES IN THE QUEBEC DIVISIONS OF CERTAIN COMPANIES, 1934

Company	All occupations		Managers		Clerks		Delivery Boys	
	Num-ber	Average wage	Num-ber	Average wage	Num-ber	Average wage	Num-ber	Average wage
		\$		\$		\$		\$
Great Atlantic & Pacific Tea Co., Ltd., (week ended April 28, 1934).....	559	13.51					154	3.61
Excluding Managers.....	394	7.60						
Grocery.....			115	27.94	171	9.26		
Meat.....			50	26.87	69	12.38		
Dominion Stores (week ended March 17, 1934).....	870	13.46					255	3.99
Excluding Managers.....	579	7.65						
Grocery.....			291	25.01	324	10.53		
Meat.....								
Steinberg Service Stores, Ltd. (week ended April 28, 1934).....	76	16.32						
Excluding Managers.....	66	14.55						
Grocery.....			10	28.00	56	14.35		
Messengers.....							1	8.00
Chauffeurs.....							9	16.55
Stop & Shop Ltd. (week ended February 24, 1934).....	371	14.46					109	4.18
Excluding Managers.....	268	8.54						
Grocery.....			62	31.10	104	9.81		
Meat.....			41	27.96	55	14.80		
Thrift Stores, Ltd. (week ended March 28, 1934).....	447	10.70					141	4.30
Excluding Managers.....	343	7.73						
Grocery.....			104	20.50	202	10.12		

TABLE 112.—FOOD CHAINS—SUMMARY OF AVERAGE WEEKLY WAGES AND COMMISSIONS PAID FULL-TIME FEMALE STORE EMPLOYEES IN THE QUEBEC DIVISIONS OF CERTAIN COMPANIES, 1934 QUEBEC

Company	All Occupations		Clerks		Cashiers	
	Num-ber	Average Wage	Num-ber	Average Wage	Num-ber	Average Wage
		\$		\$		\$
Great Atlantic and Pacific Tea Co. Ltd. (week ended April 28, 1934).....	6	9.33	6	9.33		
Dominion Stores Limited (week ended March 17, 1934).....	70	9.01	70	9.01		
Steinberg Service Ltd. (week ended April 28, 1934).....	21	12.90	8	11.12	12	12.66
Excluding managers.....	20	12.04				
Managers.....			1	30.00		
Stop and Shop Ltd. (week ended Feb. 24, 1934).....	16	9.54	16	9.59		
Thrift Stores Ltd. (week ended March 28, 1934).....	47	9.40			47	9.40

Part-time Employees

Food chains employ a larger proportion of part-time employees than do other stores in the same field. The following table shows the proportion of part-time to full-time employees.

TABLE 113—FOOD CHAINS—PROPORTION OF PART-TIME TO FULL-TIME EMPLOYEES

Company	Ontario Divisions			Quebec Divisions		
	Male		Female	Male		Female
	Per cent of total full-time employees (including managers)	Per cent of full-time Clerks	Per cent of full-time Clerks	Per cent of total full-time employees (including managers)	Per cent of full-time Clerks	Per cent of full-time Clerks
Great Atlantic & Pacific Tea Co., Ltd..	58.2	91.8	100.0	26.7	35.8	50.0
Dominion Stores Ltd.....	40.8	49.8	125.5	27.0	32.1	50.0
Stop & Shop Ltd.....	68.9	73.0x	.....	28.9	31.4x	.....
Thrift Stores Ltd.....				20.1	34.2	0.0

x Includes female clerks.

It will be seen that the proportion of part-time employees is much higher in Ontario divisions than in Quebec.

Comparisons With Independents

In the foregoing discussion, an effort has been made to point out the difficulties in the way of comparing wage rates in independent stores with those in chains. The tentative conclusion was reached that, depending on the extent to which food chains have reduced their wage rates in the past three years, the average earnings in food chains, including managers' salaries were somewhat higher or (if no reductions have been made) somewhat below the average earnings paid by all stores in the same field. From this it was deduced that the average earnings of male employees, other than managers, in food chains were below the average earnings for such employees in all stores. These conclusions apply both to Ontario and Quebec divisions of the companies which have been investigated, although, of course, certain companies have wage scales well above the average.

The following table shows the average weekly earnings of full-time male employees in the Ontario divisions of five food chains (except Eaton's Groceries) and in 252 independent grocery and combination stores (chosen at random) which furnished wage reports to the Commission. As each of the independent stores had sales of \$30,000 or more in 1930, the figures for these stores must be viewed not as representative of all independent stores in the province (because most of them have sales of less than \$30,000 per annum), but of stores which compare in size with the units of chain store companies. It should further be pointed out that the figures for the independent stores were secured from answers to a questionnaire; those for chains by audit.

TABLE 114—COMPARISON OF AVERAGE WEEKLY EARNINGS OF MALE EMPLOYEES IN FIVE FOOD CHAINS (ONTARIO DIVISIONS) AND IN 252 INDEPENDENT GROCERY AND COMBINATION STORES IN ONTARIO, 1934

Occupation	Chain Stores (1)		Independents (2)	
	No. of employees	Average weekly wage	No. of employees	Average weekly wage
		\$		\$
Managers.....	906	27.96		
Assistant managers.....	120	18.44		
Butchers.....			97	23.37
Clerks.....	816	12.69	322	17.82
Drivers.....			108	15.94
Delivery boys (men and boys).....	393	6.20	162	11.20
Total.....	2,235	18.04	689	16.75

(1) Evidence, page 2252. (2) Evidence, page 1806.

The occupations listed above indicate the difficulty of comparing average wages in chain and independent stores. No managers or assistant managers are shown for independent stores, while, on the other hand, no employees are listed as butchers or drivers in chain stores. The average weekly earnings of all male employees shown are \$18.04 in chain store and \$16.75 in independent stores, although the latter do not include any managerial earnings. If we return to Table 17 we find that only two of the five chain stores whose figures are included in the above table have averages equal to the average for all companies. We also find that the averages for the three remaining companies are lower than the average for independent stores. The average for Dominion Stores of \$16.67 is only slightly lower than that of \$16.75 for the independents, but Carroll's Limited, with \$15.16, and Stop & Shop, Limited, with \$15.84, are definitely lower.

When average earnings in chain and independent stores are compared for the same occupation, it is found that the average is higher in independent than in chain stores. It is possible, however, that occupations called by the same name are not in fact entirely comparable between the two types of stores. For example, the position of experienced clerks in independent stores may not be analogous to that of clerks in chain stores. Senior clerks in large independent stores perform many of the duties of assistant managers, but because the proprietor assumes the managerial functions, the position is not classed as such. In chain stores the positions of manager and assistant manager are held by hired employees. Whether chain or independent stores pay higher wages for similar duties thus depends on the comparability of occupations given the same names in both types of stores. This problem cannot be settled from the information available.

The average earnings of full-time female clerks in the five food chains were \$13.21, and in the independent stores \$11.82, according to the summary prepared by the auditors and the report on wages in independent stores. By referring to Table 109, we find that three of the five chains paid a higher average wage to female clerks than did the independent stores. As the difference in two of the three companies was not very great, we may assume that both chain and independent stores tend to pay the wages set by the Minimum Wage Board.

Variety stores, like department stores, employ more female than male employees, but the proportion of female employees is far higher in the case of variety stores. Variety stores also employ a great many part-time female

employees. In fact, the variety stores employ, on the average, almost as many part-time females as full-time, a proportion which is not approached in any other major line of trade. The proportion of part-time employees may have been increased for some companies during the depression. The following figures are prepared from the auditors' reports on the four variety chains investigated.

TABLE 115.—VARIETY CHAINS—PROPORTION OF PART-TIME FEMALE EMPLOYEES TO FULL-TIME FEMALE EMPLOYEES, 1934. (Excluding lunch counter employees.)

Company	Per cent part-time of total full-time employees	Per cent part-time of full-time clerks
F. W. Woolworth Co. Ltd. (Apr. 14).....	57.3	68.2
S. S. Kresge Ltd. (April 14).....	101.7	112.4
Metropolitan Stores Ltd. (April 21).....	315.5	315.5
United 5c. to \$1.00 Stores of Canada Ltd. (May 5).....	44.2	44.2

It will be seen that the United 5c. to \$1 has less than half as many part-time as full-time female employees, Woolworth's have more than half as many, Kresge's have slightly more part-time, and Metropolitan Stores have more than three times as many part-time as full-time employees. To some extent this practice of employing part-time workers is dictated by fluctuations in the amount of business handled at different periods of the day or week in variety stores. As long as the employment of part-time workers does not tend to break down the wage standards of full-time employees, the practice has considerable economic justification. There is a danger, however, that the extension of part-time employment may have the effect of forcing down the scale of wages for all employees. It would appear, therefore, that labour conditions in variety chains should be the subject of careful attention on the part of minimum wage boards.

The average earnings of full-time employees in variety chains are shown in the following table:

TABLE 116.—VARIETY CHAINS—SUMMARY OF AVERAGE WEEKLY WAGES AND COMMISSIONS PAID FULL-TIME STORE EMPLOYEES, 1934

(Excluding Lunch Counter Employees.)

Company	Male				Total Female	
	Total, including Managers		Excluding Managers			
	Number	Average	Number	Average	Number	Average
		\$		\$		\$
F. W. Woolworth Co. Ltd. (week ended April 14).....	455	30.11	319	16.11	1,634	11.42
Metropolitan Stores Ltd. (week ended April 21).....	154	26.41	64	14.46	297	11.43
S. S. Kresge Co. Ltd. (week ended May 12).....	129	33.27	85	19.90	519	11.15
United 5 cent to \$1.00 Stores of Canada Ltd. (week ended May 5).....	28	18.56	15	7.34	120	6.78

These figures, of course, relate to units in all parts of Canada for three of the four companies, but the United 5c. to \$1 Stores operates only in Quebec and Ontario. The average earnings of male wage-earners in all lines of retail trade were \$22.75, according to the results of the Census of Merchandising. It

will be seen from the above table that three of the four chains paid more than the average to all male employees, including managers. The fourth chain was paying less than the average for Quebec Province, but no account is taken of possible reductions since 1931. If managers are excluded the average for other male employees is below the census figure of \$20.38 for male employees, other than managers and floor-walkers. Again, however, no account is taken of the decline in earnings in recent years. With the exception of the United 5c. to \$1 Stores, the average earnings are higher than those for male employees in the majority of the food chains investigated.

In three of the four variety chains the average earnings of full-time female employees are between \$11 and \$11.50 per week. This compares with an average for Canada of \$12.96 for female employees, according to the census results for all lines of trade (no account being taken of decline in earnings since the census year). The average of \$6.78 for United 5c. to \$1 is well below the general average of that for grocery and meat trades in Quebec. The average earnings for both male (other than managers) and female employees in variety chains are lower than the averages shown for the department stores investigated. Department stores, however, doubtless require a much greater selling ability on the part of their sales clerks.

A distribution of full-time female employees according to weekly earnings is made in Table 117. From this it will be seen that in three of the four chains the proportion receiving less than \$10 per week is between 22 and 25 per cent. In the United 5c. to \$1 Stores, practically 90 per cent of the employees were in this class. In the other three chains from 65 to 73 per cent of the employees receive between \$10 and \$15 per week, largely depending on the minimum wage schedules.

TABLE 117.—VARIETY CHAINS—FREQUENCY DISTRIBUTION OF ALL FULL-TIME FEMALE EMPLOYEES

(Excluding lunch counter employees)

	S. S. Kresge Co. Ltd. (week ended May 12, 1934)	Metropolitan Stores Ltd. (week ended Apr. 21, 1934)	United 5c. to \$1.00 Stores of Can. Ltd. (week ended May 5, 1934)	F. W. Woolworth Co. Ltd. (week ended Apr. 14, 1934)
Total number.....	519	297	120	1,634
	%	%	%	%
Under \$5.00.....			10.8	
\$5.00—\$ 9.99.....	22.0	23.9	80.0	24.1
\$10.00—\$14.99*.....	72.6	69.7	9.2	64.9
\$15.00—\$19.99.....	5.4	5.4		9.6
\$20.00—\$24.99.....		0.7		1.1
\$25.00—\$29.99.....		0.3		0.3

* In case of S. S. Kresge Ltd. sales clerks, this class is \$10—\$15.

A more detailed distribution of female employees is given in Table 118. For the Woolworth Company it was possible to make a breakdown by economic divisions. The policy of the management of variety chains with respect to female workers appears to have been one of securing labour at the lowest rate possible. Where minimum wage laws are in effect, the minimum requirements are met, but where no restrictions exist, the wages are the lowest which competent workers will accept. These observations are borne out by a comparison of wages paid by Woolworth's in each province with the average earnings of

females in the grocery and meat trades as reported for the Census of Occupations. The grocery and meat trades were selected from the Census of Occupations as the earnings were the lowest shown in Table 4.

TABLE 118.—COMPARISON OF AVERAGE WEEKLY EARNINGS OF FEMALE EMPLOYEES AS REPORTED FOR CENSUS OF OCCUPATIONS AND IN F. W. WOOLWORTH CO. LTD.

	Census of occupations — Grocery and meat	Woolworth sales clerks (regular)
	\$	\$
Prince Edward Island.....	9.05	7.33
Nova Scotia.....	8.87	8.33
New Brunswick.....	9.55	8.17
Quebec.....	10.07	8.81
Ontario.....	11.48	11.58
Manitoba.....	10.64	11.09
Saskatchewan.....	12.01	13.46
Alberta.....	11.81	12.18
British Columbia.....	12.21	12.86

Although the census figures relate to the year 1930-31 and those for Woolworth's to 1934, it is significant that from Ontario westwards the average wage paid by Woolworth's is *higher* than the census figures. On the other hand, from Quebec eastward the average for Woolworth is *lower*. When it is recalled that the census figures embrace all female workers, whether located in urban or rural areas, the divergence between those provinces in which minimum wage laws are enforced and those in which they are not becomes even more significant.

TABLE 119A.—VARIETY CHAINS—FREQUENCY DISTRIBUTION OF FULL-TIME FEMALE CLERKS, 1934

	S. S. Kresge Co. Ltd. (week ended May 12, 1934)	Metropolitan Stores Ltd. (week ended April 21, 1934)	United 5c to \$1.00 Stores of Can. Ltd. (week ended May 5, 1934)
Total number.....	469	297	120
	%	%	%
Under \$6.00.....			26.7
\$ 6.00—\$ 7.99.....	2.8	5.7	53.3
\$ 8.00—\$ 9.99.....	21.5	18.2	10.8
\$10.00—\$12.99.....	68.4	53.9	7.5
\$13.00—\$14.99*.....	7.3	15.8	1.7
\$15.00—\$16.99.....		2.4	
\$17.00—\$19.00.....		3.0	
\$20.00.....		.7	
\$25.00.....		.3	

*In the case of Kresge's Ltd., this class is \$13.00—\$15.00.

TABLE 119B.—F. W. WOOLWORTH CO. LTD.
(Week ended April 14, 1934)

	Total	Division				
		Maritimes	Quebec	Ontario	Prairies	British Columbia
Total number.....	1,373	145	305	634	192	97
	%	%	%	%	%	%
Under \$6.00.....	0.8		3.6			
\$ 6.00—\$ 7.99.....	7.3	33.1	17.1		2.6	
\$ 8.00—\$ 9.99.....	19.7	54.5	50.8	5.1	26.0	2.1
\$10.00—\$12.00.....	41.2	12.4	25.9	62.9	55.2	93.8
\$12.50—\$13.99.....	27.2		2.6	26.5		4.1
\$14.00—\$17.00.....	3.6			5.5	5.2	
\$18.90.....	0.1				0.5	
\$20.70.....	0.1				0.5	

Hours of Labour

Employees in variety chains commonly work about 50 hours a week, although the auditors' reports show that some employees are employed for periods considerably above this figure. In view of the sustained profits secured by the largest of these chains, the continuance of long hours for its employees can scarcely be defended.

Drug Chains

Drug store chains do not employ as high a proportion of the workers in the drug field as do chain stores in the food and variety fields. Of the 5,916 full-time male and 1,409 female employees recorded by the Census of Merchandising in drug stores there were 1,145 males and 255 females reported by chain companies. Part-time employees in all stores numbered 895 males and 181 females, of which 22 and 30, respectively, were reported by chain stores.

Only two drug chains were investigated for the Commission. The average weekly earnings of full-time employees in these companies are shown in the tables which follow:

TABLE 120.—DRUG CHAINS—AVERAGE WEEKLY WAGES OF FULL-TIME STORE EMPLOYEES, 1934

Occupation	Male Employees				Female Employees			
	Louis K. Liggett Co. Ltd. (week ended April 14)		G. Tamblin Ltd. (week ended April 14)		Louis K. Liggett Co. Ltd. (week ended April 14)		G. Tamblin Ltd. (week ended April 14)	
	Number	Average	Number	Average	Number	Average	Number	Average
		\$		\$		\$		\$
Managers.....	43	38.82	59	41.65				
Assistant managers.....	40	21.75	62	31.16				
Clerks.....	23	15.00	61	18.55	30	15.10	1	18.00
Soda fountain managers....	21	20.33	1	35.00	4	14.63		
Soda fountain clerks.....	29	11.35	4	11.25	56	12.40		
Porters.....	9	12.94	2	18.60				
Messengers.....	37	6.46	110	6.58				
Total, all store employees.	202	19.78	299	21.28	90	13.40	1	18.00
Total, excluding managers.	98	10.51	177	10.95	86	13.34	1	18.00

The average weekly earnings of male employees in the drugs and toilet preparations trade, according to the Census of Occupations, were \$20.86 for Canada and \$22.36 for the province of Ontario during the census year. It will be seen from the above table that the two companies investigated were paying in 1934 about the average wage which prevailed during the census year. The average wage for male employees, other than managers, was \$10.51 for Liggett's and \$10.95 for Tamblyn's. These averages, however, are heavily weighted by delivery boys' earnings. The average wage for clerks, other than fountain, is relatively high for Tamblyn's but considerably lower for Liggett's.

The Tamblyn Company employs practically no females in its stores so that no comment need be made. The average earnings of all female employees in Liggett's were \$13.40, which the Census of Occupations' figures for drugs and toilet preparations trades were \$12.42 for Canada and \$13.59 for Ontario in the census year. The Liggett Company was, therefore, probably paying somewhat above the average for all stores.

Comparison With Independents

The Commission secured wage data for certain drug stores in Ontario. As the classification of occupations is not the same in independent and chain stores, a complete comparison can not be made of wage rates in the two types of stores. Male drug clerks in independent stores average \$20.50 per week, compared with \$15 in Liggett's and \$18.55 in Tamblyn's. Independent stores, however, make considerable use of drug apprentices, who received, on the average, only \$10.33 per week. This class of employee was not reported in chain stores. The average for male fountain clerks was somewhat higher in independent stores, but fountain managers who receive higher salaries in chain stores were not reported in independent stores. Druggists in independent stores received lower wages than drug store managers, but higher wages than assistant managers, although the difference is very slight in the case of Tamblyn's. The wages of female employees tended to be somewhat higher in chains than independent drug stores.

Hours of Labour

As drug stores are generally open for several hours in the evening the hours of labour of employees are generally quite long even though the workers are employed on shifts. The auditors reported that most male employees in drug chains worked 60 hours per week and the information for independent stores shows similar periods of employment are demanded from employees in such establishments. It is perhaps almost unnecessary to repeat that hours of labour in excess of 48 per week are too long and that considerable improvement is needed in the drug store field in regard to this feature.

TABLE 121.—DIFFERENCE IN EMPLOYMENT CONDITIONS, CANADA AND ITS PROVINCES

—	Hourly rate for 1934 of common labour in factories (a)		Average weekly earnings, 1931 (b)						Average hours per week in factories (a)	
			All manufacturing, male		Machinists, male		Sewers and sewing machinists, female			
	Amount	Per cent of average	Amount	Per cent of average	Amount	Per cent of average	Amount	Per cent of average	Amount	Per cent of average
	c.	%	\$	%	\$	%	\$	%	Hrs.	%
CANADA.....	30.4	100	24.83	100	25.59	100	10.82	100	49.4	100
P.E.I.....			14.68	59	23.73	93			55.0	111
N.S.....	26.6	88	20.59	83	24.51	96	9.19	85	53.4	108
N.B.....	28.1	92	21.14	85	25.94	101	7.84	72	51.1	103
P.Q.....	28.0	92	23.78	96	25.09	98	10.20	94	50.5	102
Ontario.....	30.7	101	25.72	104	25.29	99	12.06	111	48.6	98
Manitoba.....	36.5	120	26.59	107	27.31	107	10.53	97	46.8	95
Saskatchewan....	30.3	100	27.14	109	25.72	101			51.7	105
Alberta.....	34.4	113	26.77	108	27.46	107	10.18	94	48.1	97
B.C.....	40.0	132	24.57	99	28.00	109	12.10	112	48.2	98

(a) Computed by Department of Labour.

(b) Dominion Bureau of Statistics, Seventh Census of Canada, Bull. No. XXXIII.

TABLE 122—COMPARISON OF STANDARDS OF LABOUR LEGISLATION
IN THE PROVINCES OF CANADA AND IN THE STATES OF MASSACHUSETTS, NEW YORK, WISCONSIN AND WASHINGTON

Province, etc.	Child labour, minimum age	Maximum Hours				Prohibited hours at night for women	Class of workers	Minimum Wages in Factories					Payment for overtime	
		Male		Female				Experienced work-ers in towns of different size	Adult learners		Learners under 18			
		Wk.	Dy.	Weekly	Daily				Weekly	periods	Weekly	Learning period		
P. E. I.														
Nova Scotia	Mines, 16													
	Factories 14 Shops ..		8 ¹	2	2	For maintenance work— 12½ hours a day 72½ hours a week ³	Females	\$11, \$10	\$9, \$8	1 year	\$7, \$8	1½ years	Pro rata based on 50-hr. wk.	
New Brunswick	Mines 16 ¹													
	Factories .. Shops ..		8 ¹	60 ²	60 ²	For maintenance work— 13½ hours a day 81 hours a week ³	(Act not in force)							
Quebec	Mines 15 ¹													
	Factories 14 Shops 14			55 ²	10 ²	12 hours a day 65 hours a week ³ In towns less than 10,000 and for 2 weeks before Jan. 1 or in urgent cases 10½ hrs. a day, 65 a week.	Females and males replac- ing.	10-12.50 9-10 ⁵ 50.55	\$7, \$6 ⁶	2 years			Pro rata, or as agreed if more, except in fur sewing when time and a half must be paid.	
Ontario	Mines 16 Factories 14 Shops 14		8 ⁴			6.30 p.m.-7 a.m. In emergencies, 9 p.m.-6 a.m. 11 p.m.-7 a.m.	Females and males replac- ing them.	\$12.50, 11.50, 11, 10	\$10.9.50, 9.8	1 year	\$8, 7, 6	1½ years	Pro rata.	
	Mines .. Factories 14 Shops ..			60 ²	10 ²	For maintenance work— 12½ hours a day 72½ hours a week ³								
Manitoba	Mines .. Factories 14 Shops 14, 13 outside school hours with permit.					12 hours a day 50-56 hours a week ³ 11½ hrs. on Saturday; 12 hours a day 54 hours a week ³ Dec. 15-24 and exhi- bitions weeks, 9 hours overtime.	Females and boys under 18 years.	\$11-12 ⁹	\$10-12 ⁹	6-12 mos.	\$8-9 ⁹	6-12 mos.	Prorata.	

Wisconsin	Mines Factories 14	Shops 14, 12 outside school hours with permit.	Mines Factories.....	Shops.....	50 ¹⁴ 48	9 day 8 night	55 hrs. a week, 10 a day for not more than 4 weeks.	..	Females	22-25c. per hour.	30, 9	16c. per hour	Time and a half.
Washington	Mines 14, 16 ¹ Factories 14	12 with per- mit.	Mines.....	Factories.....	8 ¹	8	Fish, fruit and vege- table industries	..	Females	\$13.20	8	\$9.00	..
	Shops 14, 12 with permit		Shops.....			8	..	..			

¹ Below ground.

² Maximum hours apply also to "youths". In Nova Scotia, changes made in the original Factories Act have resulted in the omission of any restriction of hours for women and young persons but section regarding hours in emergencies is still in the Act. In shops in Manitoba maximum weekly hours for boys under 18, 56.

³ With permit on not more than 36 days a year or 30 days a year in shops in Manitoba.

⁴ In northern Ontario only, and below ground.

⁵ Under Minimum Wage Acts in Ontario and eastern provinces, the hours for which minimum wages are to be paid are only specified. In the provinces west of Ontario, maximum hours are fixed by the Boards with some provision for overtime. In Manitoba, and Alberta, Minimum Wage Orders have reduced hours for women below limits fixed by Factories Acts.

⁶ Rates vary with class of factory. Order of August, 1934, revises Order re dresses, lingerie, etc. Instead of stipulating learning period and rates therefor, new Order requires employment of not less than 70 p.c. skilled labour at \$12.50, 20 p.c. at \$10 and 10 p.c. at \$7.

⁷ Hours specified in Ontario are as indicated or for usual working hours of establishment if less.

⁸ 14 years for boys; 15 for girls.

⁹ Minimum wages in Manitoba vary with class of factory. Until December 15, 1934, rates are subject to 10 p.c. reduction. Minimum rates for boys under 18 years \$8 a week for first 6 months, \$9 a week for second and \$10 after 12 months. Statutory minimum rate for men over 18, 25 cents an hour.

¹⁰ Minimum Wage Orders in Saskatchewan apply to cities and in Alberta apply only to towns of 600 or over and to Banff, Lake Louise, Waterton Park and Jasper.

¹¹ Maximum hours in shops in Saskatchewan vary with size of city. Minimum rates are subject to 5 p.c. reduction if less than \$13, to 10 p.c. if rate is \$13 or over until September 30, 1934.

¹² Varies with kind of factory and in case of learners varies also with age.

¹³ Varies with locality. Rates for experienced workers over 17 years of age.

¹⁴ Under Act of 1931 the Industrial Commission is given power to limit hours and fix working periods.

¹⁵ Boys under 17 years of age in Manitoba, 18 years of age in New York.

¹⁶ For work in laundries. Order in force August 6, 1934, established first minimum wage in New York State. Other orders to follow. In Canada, minimum wages in laundries are generally the same as those in factories with a higher rate for learners in laundries. No special rate is fixed for learners in New York.

NOTE ON CANADIAN ACTION RE INTERNATIONAL LABOUR CONVENTIONS AS OF DECEMBER 31, 1934

1. By the Dominion

Of the ten International Labour Conventions that fall within the traditional legislative competence of the Dominion Parliament the following have been formally ratified and implemented by legislation now in force:—

- 7. Minimum age for employment of children at sea (1920)
- 8. Unemployment indemnity in case of loss of ship (1920).
- 9. Facilities for finding employment for seamen (1920)
- 15. Minimum age for employment as trimmers and stokers (1921)
- 16. Medical examination of children and young persons employed at sea (1921)

In the Canadian Shipping Act of 1934, which will go into effect on proclamation by the Governor in Council, there were included the terms of four of the conventions above and of the four following:

- 22. Seamen's articles of agreement (1926)
 - 23. Repatriation of seamen (1926)
 - 27. Marking of weights on heavy packages to be transported by vessels (1929)
 - 32. Protection of longshoremen (1922, a revision of No. 28, 1929)
- No action has been taken to ratify or give effect to:
- 21. Inspection of emigrants on board ship (1926)

The Dominion, further, has in fact put terms of three other conventions into effect, as follows:

- 2. Unemployment (1919) generally in effect throughout Canada, except for Prince Edward Island, by provincial legislation and agreements under the Employment Offices Co-ordination Act of 1918. (R.S. 1927, Cap. 57.) This Act also implements Convention No. 9.
- 1. Eight-hour day (1919)—in effect by the Fair Wages and Eight Hour Act 1930 with respect to persons employed under Dominion public works contracts and by Order in Council (P.S. 670, 1930) with respect to Dominion Government employees.
- 14. Weekly Rest (1921)—in effect by Order in Council (P.C. 670, 1930) with respect to Dominion Government employees.

2. By the Provinces

Up to 1933 there were twenty-nine conventions of which the subjects were said to be within the exclusive legislative competence of the Province. These gave 261 opportunities for compliance by existing or new provincial legislation. Only two acts, both in British Columbia ⁽¹⁾ (Maternity Protection Act, 1921, R.S. 1924, cap. 155, and Hours of Work Act, 1923, R.S. 1924 cap. 107) have been put into effect specifically, to implement Conventions. However, under the Employment Offices Co-ordination Act, 1918, eight provinces have essentially put into effect the terms of the Convention (2) of 1919 about unemployment so far as it relates to public employment offices. Five provinces (Nova Scotia,

⁽¹⁾ B.C. passed three other bills (Employment of Children, 1921, Night Employment of Women, 1921, and Night Employment of Young Persons) to implement other Conventions, but these Acts will come into effect by proclamation only when similar Acts come into force in the other provinces.

Manitoba, Saskatchewan, Alberta and British Columbia) also have abolished private fee-charging employment offices, and two (Quebec and Ontario) have agreed to issue new licences, thus complying in part with the Convention (34) of 1933. Seven provinces (all except Prince Edward Island and New Brunswick) have legislation which approximates the terms of the Convention (26) of 1928 on the creation of Minimum Wage Fixing Machinery. By a generous interpretation, it is possible, therefore, to say that the provinces in twenty-four cases are meeting the standards of the International Labour Conventions. A score of twenty-four out of a possible 261 is not one of which Canada can be proud. Further details of our record in this respect appear in Chart viii below:—

25. Sickness insurance—agricultural workers, 1927.....	●	●	●	●	●	●	●	●	●	●
26. Minimum wage-fixing machinery, 1928.....	●	⊕ ⁴	●	⊕ ⁴	⊕ ⁴	⊕ ⁴	⊕ ⁴	⊕ ⁴	⊕ ⁴	○
29. Forced labour, 1930.....	●	●	●	●	●	●	●	●	●	●
30. Hours of work in commerce and offices, 1930.....	●	●	●	●	⊕ ⁵	⊕ ⁵	⊕ ⁵	⊕ ⁵	⊕ ⁵	○
31. Hours of work in coal mines, 1931.....	●	⊕	⊕	⊕	●	●	●	⊕	⊕	○
33. Minimum age for child labour in non-industrial employment, 1932	●	●	●	●	●	●	●	⊕	⊕	●
34. Fee-charging employment agencies, 1933.....	●	○	●	●	○	○	○	○	○	○
35. Old-age insurance in non-agricultural employments, 1933.....	●	●	●	●	●	●	●	●	●	●
36. Old-age insurance in agricultural employment, 1933.....	●	●	●	●	●	●	●	●	●	●
37. Invalidity insurance in non-agricultural employments, 1933.....	●	●	●	●	●	●	●	●	●	●
38. Invalidity insurance in agricultural employment, 1933.....	●	●	●	●	●	●	●	●	●	●
39. Widows' and orphans' insurance in non-agricultural employments 1933.....	●	●	●	●	●	●	●	●	●	●
40. Widows' and orphans' insurance in agricultural employment, 1933	●	●	●	●	●	●	●	●	●	●

* Not to go into effect until similar statutes are put in operation by other provinces.

1. Eight-hour day for miners below ground only in Nova Scotia, New Brunswick, Northern Ontario, Saskatchewan and Alberta. In British Columbia miners both above and below ground have 8-hour day. No 48-hour week stipulated in legislation.
2. Compensation not payable as early as the 5th day after accident as in convention.
3. Contrary to draft convention, compensation to alien dependants residing outside Canada may not be greater than compensation payable under law of other country or may be reduced by boards.
4. Minimum wage law applies only to women or to boys and men replacing female employees. Does not apply to home workers as specially required by convention.
5. Factory Act or Minimum Wage orders limit hours of females in shops but permit longer hours per day or per week than convention.
6. The Provincial Act applies only to railway workers.

ANNEX VI

Supplementary to Chapter VII.

FURTHER STATISTICS ON DISTRIBUTION

TABLE 123.—RELATIVE PROPORTION OF CHAIN STORE SALES TO TOTAL SALES FOR SELECTED KINDS OF BUSINESS IN CANADA AND THE UNITED STATES

Kind of Business	Per cent of chain store sales to total sales of all stores in same kind of business	
	Canada	United States
	1930	1929
Variety, 5-and-10, and to-a-dollar stores.....	93.60	90.12
Office and store mechanical appliances and typewriter stores.....	73.40	50.77
Household appliance stores.....	58.31	50.50
Combination stores (groceries and meats).....	33.21	32.22
Grocery stores.....	28.53	45.70
Filling stations.....	24.79	33.86
Shoe stores.....	22.58	37.95
Drug stores.....	18.57	18.49
Restaurants and cafeterias (including lunch rooms).....	18.50	13.63
Women's apparel and accessories stores.....	15.84	22.71
Men's clothing and furnishings stores and custom tailors.....	14.49	21.16

TABLE 124.—DISTRIBUTION OF SALES OF MANUFACTURING PANTS IN CANADA, 1930

Industry	Value of Production 1930	Percentage Distribution of Sales of Firms Reporting Sales to—						
		Manufacturers' wholesale branches	Other wholesalers	Manufacturers' retail branches	Other retailers (1)	Industrial and other large consumers	Household consumers	Export sales
	\$	%	%	%	%	%	%	%
Biscuits, confectionery, cocoa, etc	58,059,602	22.4	26.7	6.1	40.9	1.2	1.3	1.4
Bread and other bakery products.	73,594,894				(2)29.9		70.1	
Butter and cheese.....	113,018,789		42.2		(3)26.3	4.4	(4)26.9	.2
Coffee, tea and spices.....	24,378,447	16.0	14.8	8.1	53.6	6.5	.1	.9
Fish curing and packing.....	32,973,308	.7	41.3		(5)15.5	.8	.3	41.4
Flour and feed mills.....	144,855,946	6.6	25.5	1.5	15.7	(6)18.7	(7)5.3	26.7
Fruit and vegetable preparations.	31,458,415	5.6	57.8	6.9	26.1	1.3	.1	2.2
Pickles, vinegar and sauces.....	11,635,337	41.8	14.9		17.6	1.0	.2	24.5
Slaughtering and meat packing.....	164,029,953	36.6	4.4	3.6	48.8	1.4	.4	4.8
Sugar refineries.....	42,935,722		79.4		6.9	12.0		1.7
Tobacco, cigars and cigarettes...	85,671,786		70.3	.1	29.2	.2	.1	.1
Boots and shoes.....	40,478,911	.2	25.0	1.5	71.6	.9	.5	.3
Clothing, factory, men's.....	40,819,423		(8)6.5	15.3	75.0	1.1	2.1	
Clothing, factory, women's.....	61,815,948	1.1	7.3	4.2	83.0	3.2	1.1	.1
Furnishing goods, men's.....	25,154,310	1.0	20.6	2.4	73.2	1.8	.8	.2
Hats and caps.....	14,224,789	4.9	16.4	9.5	64.6	3.5	.6	.5
Hosiery, knitted goods and fabric gloves.....	54,117,924	2.0	29.1	1.3	60.4	4.5	.9	1.8
Furniture.....	36,866,195	4.3	6.8	5.1	61.2	15.0	6.9	.7
Electrical apparatus and supplies.	104,577,790	29.5	27.6	.3	8.1	31.3	.2	3.0
Hardware and tools.....	21,474,155	3.4	39.8		(9)24.5	23.7	.4	8.2
Paints, pigments and varnishes...	23,966,502	8.4	13.0	3.1	34.2	39.6	1.4	.3
Automobiles.....	101,677,487	4.4	12.1	2.8	57.6	.4	.3	22.4
Medicinal and pharmaceutical preparations.....	17,768,806	11.5	27.1	5.7	47.0	5.4	1.2	2.1
Soaps and washing compounds.....	18,167,838	1.8	58.1		27.3	8.5	.5	3.8
Rubber goods, including footwear	73,752,673	23.5	9.5	1.1	21.8	12.2	.3	31.6

(1)Includes department stores and chains.

(2)Includes sales to hotels and other large users.

(3)Includes sales to retail branches.

(4)Includes sales of fluid milk and cream by dairy factories.

(5)Includes sales to retail branches.

(6)Consists chiefly of sales to bakeries.

(7)Includes sales to farmers.

(8)Includes wholesale branches.

(9)Includes sales to retail branches.

TABLE 125.—NUMBER OF CHAIN STORE UNITS OPERATED IN 1930 AND NUMBER ESTABLISHED LATER THAN 1925

Kind of Business	Total Units	Date of Opening	
		Later than 1925	Per cent later than 1925
General merchandise.....	611	334	54.67
Apparel group.....	660	399	60.46
Furniture and household group.....	481	239	49.69
Food group.....	2,669	1,806	67.67
Lumber and building group.....	1,122	317	28.25
Restaurant group.....	290	130	44.83
Automotive group.....	841	589	70.04
Office appliance group.....	173	27	15.61
Drug stores.....	292	130	44.52
All others.....	1,395	630	45.16

TABLE 126.—NUMBER OF COMPANIES, NUMBER OF UNITS AND SALES OF GROCERY, COMBINATION AND MEAT STORE CHAINS COMBINED, 1930-1933

—	1930	1931	1932	1933
Number of chains.....	88	87	85	7
Number of stores (maximum).....	2,353	2,418	2,395	2,348
Total sales.....	\$ 128,291,800	\$114,642,400	\$109,693,300	\$102,940,200
Index of chain sales (1930=100).....	100.00	97.16	85.50	80.24

TABLE 127—CANADA—RETAIL MERCHANDISE TRADE, 1930-1933

NUMBER OF CHAINS, CHAIN STORES, TOTAL CHAIN STORE SALES AND PERCENTAGE OF CHAIN STORE SALES TO TOTAL SALES

Kind of Business	1930 ⁽¹⁾	1931	1932	1933
All Stores, Total—				
Chains (number).....	518	506	486	461
Chain stores (number).....	8,097	8,188	8,066	7,900
Chain sales.....	\$ 487,335,000	434,015,200	360,630,100	328,736,700
Total sales.....	\$2,755,569,900	2,325,732,000	1,917,219,000	1,776,884,000
Percentage, chains to total.....	17.7	18.7	18.8	18.5
Grocery and Combination Stores—				
Chains (number).....	66	69	71	75
Chain stores (number).....	2,004	2,098	2,151	2,132
Chain sales.....	\$ 119,498,600	117,099,500	104,442,600	98,606,500
Total sales.....	\$ 405,403,400	360,872,000	315,825,000	297,306,000
Percentage, chains to total.....	29.5	32.4	33.1	33.2
Variety, 5-and-10, and to-a-Dollar Stores—				
Chains (number).....	15	14	14	14
Chain stores (number).....	313	329	339	348
Chain sales.....	\$ 39,383,600	38,906,700	35,474,800	33,348,600
Total sales.....	\$ 44,212,200	43,565,000	39,629,000	37,257,000
Percentage, chains to total.....	89.1	89.3	89.5	89.5
Filling Stations—				
Chains (number).....	28	27	26	30
Chain stores (number).....	646	686	703	738
Chain sales.....	\$ 14,875,300	15,552,200	14,705,800	14,071,100
Total sales.....	\$ 66,449,300	60,195,000	54,091,000	47,842,000
Percentage, chains to total.....	22.4	25.8	27.2	29.4

TABLE 127—CANADA—RETAIL MERCHANDISE TRADE, 1930-1933—*Concluded*NUMBER OF CHAINS, CHAIN STORES, TOTAL CHAIN STORE SALES AND PERCENTAGE OF CHAIN STORE SALES TO TOTAL SALES—*Concluded*

Kind of Business	1930 ⁽¹⁾	1931	1932	1933
Men's and Boys' Clothing and Furnishings (including custom tailors)—				
Chains (number).....	22	22	19	14
Chain stores (number).....	176	179	148	125
Chain sales.....	\$ 9,866,800	8,253,600	5,784,700	5,405,200
Total sales.....	\$ 72,110,500	58,759,000	46,876,000	44,520,000
Percentage, chains to total.....	13.7	14.0	12.3	12.1
Family Clothing Stores—				
Chains (number).....	13	13	12	12
Chain stores (number).....	55	55	57	62
Chain sales.....	\$ 4,746,600	4,425,100	3,873,700	6,722,000
Total sales.....	\$ 42,144,100	36,976,000	31,845,000	31,593,000
Percentage, chains to total.....	11.3	12.0	12.2	21.3
Women's Apparel and Accessories Stores—				
Chains (number).....	28	25	19	15
Chain stores (number).....	183	186	164	144
Chain sales.....	\$ 8,584,800	6,828,100	5,093,700	4,029,400
Total sales.....	\$ 69,806,000	61,236,000	49,405,000	44,688,000
Percentage, chains to total.....	12.3	11.2	10.3	9.0
Shoe Stores—				
Chains (number).....	17	18	19	22
Chain stores (number).....	193	212	230	257
Chain sales.....	\$ 7,702,700	7,687,500	7,094,800	7,114,800
Total sales.....	\$ 35,908,000	32,259,000	27,802,000	26,284,000
Percentage, chains to total.....	21.5	23.8	25.5	27.1
Household Appliance Stores—				
Chains (number).....	19	17	17	16
Chain stores (number).....	283	269	260	250
Chain sales.....	\$ 10,282,000	7,682,400	6,216,800	5,299,700
Total sales.....	\$ 17,798,200	14,247,000	10,886,000	9,209,000
Percentage, chains to total.....	57.8	53.9	57.1	57.5
Restaurants, Cafeterias and Eating Places—				
Chains (number).....	21	20	17	17
Chain stores (number).....	252	243	224	216
Chain sales.....	\$ 13,438,600	11,011,700	8,262,600	7,129,300
Total sales.....	\$ 75,977,100	62,040,000	47,673,000	41,666,000
Percentage, chains to total.....	17.7	17.7	17.3	17.1
Drug Stores—				
Chains (number).....	31	32	32	29
Chain stores (number).....	284	299	305	297
Chain sales.....	\$ 13,971,300	13,584,600	12,520,000	11,001,300
Total sales.....	\$ 76,848,900	70,510,000	63,818,000	57,068,000
Percentage, chains to total.....	18.2	19.3	19.6	19.3

(1) Figures for 1930 have been revised to provide for the reclassification of some stores by type of operation and the use of sales figures by firms instead of individual units.

TABLE 128.—PERCENTAGE EARNED ON INVESTMENT

Year	G. Tambllyn Ltd.	Loblaw Groceterias Ltd.	Dominion Stores Ltd.
	%	%	%
1923.....		31.13	
1924.....		21.21	16.11
1925.....	20.15	25.50	16.65
1926.....	18.95	27.87	20.52
1927.....	18.34	20.51	19.89
1928.....	16.38	16.64	18.38
1929.....	19.50	22.91	14.36
1930.....	16.53	20.57	12.30
1931.....	16.36	19.75	12.10
1932.....	11.47	17.54	8.54
1933.....	9.39	(not available)	8.08

TABLE 129.—RELATIVE NUMBER OF GROCERY AND COMBINATION (GROCERIES AND MEATS) STORES

(Independent and Chain Stores, by Cities, Grouped According to Proportion of Chain Store Sales)

Proportion of chain store sales to total sales	Cities	Total population	Independent Stores		Chain Stores		
			Number of persons per independent store	Average sales per store	Per cent of chain store sales to total sales	Number of persons per chain store	Average sales per store
				\$			\$
Over 50 per cent.....	Windsor, Toronto, Verdun.....	755,060	484	14,961	54.2	2,097	176,650
40-50 per cent.....	Hamilton, Calgary, Ottawa...	366,180	478	16,193	46.9	1,688	50,494
30-40 per cent.....	Saskatoon, Vancouver, Regina, Kitchener, Winnipeg, Brantford.....	622,778	424	14,272	34.9	2,673	48,314
20-30 per cent.....	London, Montreal, Edmonton.	968,922	324	18,462	23.6	3,126	55,197
10-20 per cent.....	Saint John, Halifax, Quebec, Victoria, Three Rivers.....	311,915	265	15,934	16.8	3,713	44,982

¹ The average for Windsor is \$48,562, for Verdun \$49,402, and for Toronto, \$87,308.

CHART VI

Total Sales of all Divisions of T. Eaton Company Limited and Robert Simpson Company Limited

(Semi-logarithmic scale)

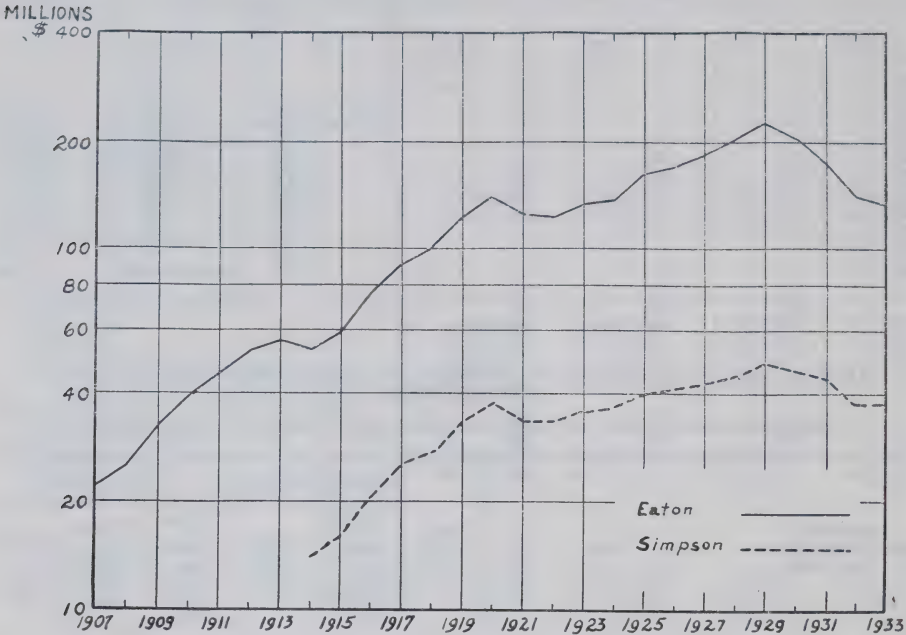
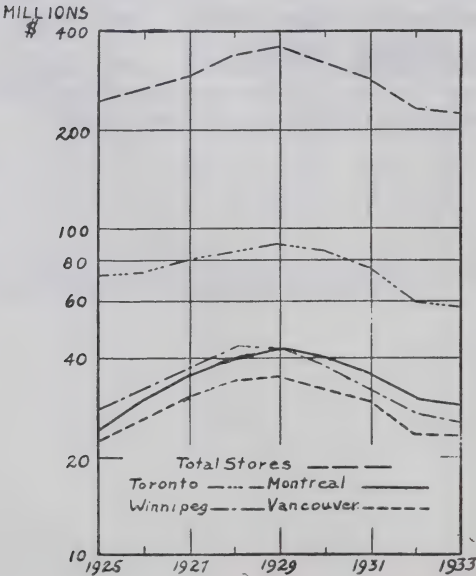


CHART VII

Sales of Twenty-two Department Stores and Mail Order Warehouses, and Sales by Cities, 1925-1933.

(Semi-logarithmic scale)



ANNEX VII

Supplementary to Chapter IX

SUMMARY OF LEGISLATION OF PRINCIPAL INDUSTRIAL NATIONS RELATING TO TRADE COMBINATIONS

CONTENTS

	PAGE
Introduction.....	439
Synopses of Legislation on Trade Combinations.....	442
Argentine Republic.....	443
Australia.....	443
Austria.....	445
Belgium.....	446
Canada.....	446
Czechoslovakia.....	449
Denmark.....	451
France.....	451
Germany.....	452
Great Britain.....	456
Hungary.....	457
Italy.....	459
Japan.....	460
The Netherlands.....	461
New Zealand.....	461
Norway.....	463
Poland.....	465
Russia.....	466
Spain.....	466
Sweden.....	466
Switzerland.....	467
Union of South Africa.....	467
United States of America.....	467

INTRODUCTION

The following survey of combine and trust legislation is not exhaustive; it represents at best an endeavour to describe the manner in which the principal industrial nations of the world have attempted to cope with the question of industrial combinations. Most of the material used in this summary is drawn from a "Review of the Legal Aspects of Industrial Agreements" prepared in 1930 for the Economic Consultative Committee of the League of Nations.

The difficulties attending the compilation of such a survey are many and varied. As an example, in the case of the United States of America the mere quotation of the terms of the various anti-trust laws would fail to convey a correct or adequate picture of the situation there without a description of the principal interpretations given these laws by the United States Supreme Court, which, to refer to but one instance, have, by the introduction of the "Rule of Reason," considerably modified the original intent and meaning of the Sherman Law. To enter into any exact analysis of the interpretations of the anti-trust and anti-combine laws of the United States would involve the citation of copious extracts from a large number of court decisions. These decisions change their purport and their effect with the changes in the economic development and general viewpoint of the nation and vary according to the particular circumstances of particular cases. An exact and comprehensive summary of the anti-combine laws of other countries would involve even greater difficulties, as many

are based upon the gradual growth and development of common law, evolved under different and less complex economic conditions and modified by many statutes which, though not specifically formed for the purpose of combating or regulating trusts and combines, nor expressly referring to them, may, nevertheless, be made applicable to them. Other countries have placed on their statute books special laws which relate only to one or more particular commodities and which yet specifically mention combines or trusts in connection with them.

The post-war years have been years of widely varying economic conditions with abrupt and exaggerated price fluctuations, accompanied by basic changes in many governments which have in some cases involved different and even distinctly opposed policies on the subject of combines and trusts in the same country and within comparatively short periods. Measures to curb or regulate profiteering, price manipulation, and unfair trade practices have been essayed by most governments and though these have not necessarily mentioned trusts and combines specifically they have generally exerted a material influence upon them. Many of the governments of the world are now experimenting with, or at least seriously debating, comprehensive and drastic reorganization of industry and industrial control. Even in the United States individualism and free competition have been called in question and an experiment in government regulation of industry is being tried. This survey has not included any treatment of the United States National Recovery program. In Russia and Italy, and to a less extent in Japan, state control of various guild systems is being undertaken. Germany and Norway, followed by Poland, Hungary, and Czecho-Slovakia, have enacted extensive measures of combine control and supervision.

The generally accepted differentiation between "good and bad combines" has been greatly accentuated, particularly since the depression. Advantages of rationalization and stabilization of industry as opposed to disadvantages of unrestrained competition have been sharply emphasized. There has been a general desire, acutely stimulated by the depression, to secure the undoubted benefits to be derived from industrial organization or combination while guarding against the evils to be apprehended from it. How can the right of combination be curtailed without unduly restricting individual liberty; how can it be left unrestricted without destroying the liberty of individuals and possibly the power of governments? The following survey will attempt to show how certain nations have attempted to deal with these problems and how they have failed to find a entirely satisfactory solution of them.

Trade combinations may be classified in a general manner as (a) monopolies, (b) combines and cartels, and (c) trusts or mergers.

(a) *Monopoly*.—The distinguishing characteristic of a monopoly is control of all or practically all of the trade in a particular field, either by government franchise or otherwise. The regulation of rates and operating conditions of authorized "natural" monopolies, classed as public utilities, is a function of government distinct from the regulation of combines and trusts, and is not reviewed in the present survey.

(b) *Combines and cartels*.—These two terms may be taken to be synonymous; the former being the Anglo-American expression, while the latter is used upon the continent of Europe. The combine is distinguishable from the trust in that it does not necessarily constitute a legal entity with property of its own, as distinct from that of its members. It is essentially an agreement between individuals or companies who, without sacrificing their separate commercial or industrial existence, agree to pursue by concentrated action a specific economic result. The agreement may take any form from a "gentlemen's agreement" to a definite contract of ostensibly binding quality between its members and it may cover joint selling and buying agencies, an allocation of territory, control and restriction of production, the fixing of common selling or buying

prices, or any or all of these and other functions. In some cases, for reasons of practical convenience, a combine may take on the outward form of a company proper, with a separate legal personality, but such a company is really no more than an executive instrument. Joint selling or purchasing agencies, for example, frequently assume the form of commercial companies, but they operate for the exclusive profit of their members rather than for themselves.

(c) *Trusts*.—The trust or merger is a company in the full legal and commercial sense of the term. It has its own independent existence, legally separate from that of its members. It has capital which is its personal property and it enters into contracts with third parties on its own account. The trust essentially seeks to make profits for itself. It influences, either directly or indirectly, other undertakings in which it has financial, commercial, or industrial interests and which it keeps subordinate to itself and from which it draws dividends. Trusts, too, are able to overcome their competitors much more effectively than combines by a series of devices, i.e., acquisition of shares, refusal to deliver machine tools or raw materials or other boycotting measures, price-cutting in certain markets, etc. The power of trusts is, moreover, enhanced by their ability, through a more complete integration, to embark upon vast programs for control of production and markets.

Public opinion is mainly concerned with the sales policies of trusts and combines, i.e., whether they tend to raise prices or to introduce unduly harsh terms of business, while public authorities direct their attention both to the internal organization of combines and to their external organization, i.e., to the excessive power possessed by the combine or trust over its own members and over third parties outside the organization who may be either competitors or consumers. In countries where economic development is more advanced the public authorities have usually endeavoured to suppress abuses of power by combines when such abuses are directed toward the ruin of competitors by boycott or systematic price-cutting. Governments have also tried to check abuses which are within the power of combines and which operate to the detriment of consumers, i.e., excessive prices, refusal to sell to certain buyers, etc. Different governments have agreed in regarding such abuses of combine power as intolerable restrictions on the freedom of commerce and industry. Those legal systems which are founded on Roman law, such as in France, Belgium, and Italy, have adopted the conception of *public order*, while Anglo-American law has followed the closely related conception of *unreasonable restraint of trade*. In Germany the idea of the infringement of *bonos mores* has been confined to the protection of purely private interests, and in Norway the idea of *abnormal price* or *unreasonable profit* has formed the basis of legislation.

Judicial suppression of the abuse of power by combines both in the field of criminal and civil or commercial law has not been uniform nor, it must be admitted, very effective. The chief explanation is that the notion of public order is essentially a question of opinion which must be left to the decision of judges. These opinions vary with the importance of the part played by trusts and combines in the economic life of the particular country and to the importance attached by its courts to the maintenance of trade and industry on a competitive basis.

Common law fails to deal adequately with the regulation of trusts and combines. It belongs in large part to a period prior to their development and it is difficult, without some board, bureau, or other body entrusted with such a function, to track down these abuses unless under particularly aggravating circumstances.

Jurists have been led to recognize that abuses of power by trusts and combines belong to the realm of economic policy. The importance of this

realm is constantly increasing in proportion to the development of these organizations. Germany and Norway have considered the suppression of abuses of combine power to be a question of public law, and special courts of administrative law have been established to deal with them. A similar tendency has existed in the United States of America and Canada and in some other countries.

Two main conflicting points of view with regard to trusts and cartels have been in evidence since these complex industrial organizations have become a problem in the life of nations. The American conception, and to a lesser extent the British, is one of maintenance of the principle of competition in the interest of consumers and small producers or traders. This policy in Great Britain rests on the common law. English common law was adopted in the United States and was further elaborated by the anti-trust laws of that country. Canada and other members of the British commonwealth followed a similar course. The European conception has seriously compromised and invaded the competitive system by a combination movement supported in varying degrees by governmental co-operation and regulation.

The German school of thought, which belongs to the latter class of national economy, considers that combines and trusts, whether "good" or "bad", must not be permitted to go uncontrolled, and the governments which support this view are finding themselves being drawn more and more into supervisory functions involving the regulation of prices, production, and sale. Even the United States has turned recently in this direction.

SYNOPSIS OF LEGISLATION ON TRADE COMBINATIONS

The following list indicates the main legislative measures adopted by various leading nations to regulate and protect the public from abuses of combinations in trade and industry. The countries listed are divided into three groups. Countries in the first group have special legislation designed to regulate cartels and other trade combinations or to otherwise prevent the formation of detrimental combines. The second group consists of countries which have no special cartel legislation, the principles of the ordinary law being applicable to such organizations. Countries in this group have, however, laws relating to special classes of trade combinations or applicable to certain injurious policies such as the maintenance of prices at unreasonably high levels. The third group contains nations whose governments at present exercise extreme powers for the operation or general administration and control of industrial enterprises.

1. COUNTRIES WITH SPECIAL LAWS CONCERNING CARTELS AND COMBINES

Argentina—Law against Trusts. (1923).

Australia—Australian Industries Preservation Acts. (1906-1910).

Austria—Law regarding Combines. (1870).

Canada—Combines Investigation Act. (1923). Criminal Code, Section 498.

Czechoslovakia—Law regarding Price Rings. (1933).

Denmark—Act relating to Price Agreements. (1932).

Hungary—Law regarding Cartels. (1931).

New Zealand—Commercial Trusts Act. (1910). Board of Trade Act. (1919).

Norway—"Act regarding the Control of Limitation of Competition and Improper Manipulation of Prices." (1926).

Poland—Law regarding Price Rings. (1933).

Sweden—Act for Investigation of Combines. (1925).

Union of South Africa—Meat Trade Monopoly Act. (1909). Act against Monopolistic Combinations. (1923).

11. COUNTRIES WITH NO SPECIAL LAWS CONCERNING CARTELS AND COMBINES OR WITH NO ADMINISTRATIVE SUPERVISION

- Belgium—Punishment of the offence of fraudulently or abnormally affecting prices (Criminal Code, article 311).
 Invalidation by the courts of agreements contrary to public policy (Civil Code, article 1131).
 Damages awarded to persons injured by acts of unfair competition (Civil Code, article 1382).
 No general administrative supervision.
- France—Punishment of the offence of fraudulently or abnormally affecting prices (Penal Code, article 419).
 Invalidation by the courts of agreements contrary to public policy (Civil Code, articles 6 and 1131).
 Damages awarded to persons injured by acts of unfair competition (Civil Code, article 1382).
 No general administrative supervision.
- Great Britain—Invalidation by the courts of agreements in undue restraint of trade.
 No penal measures in force.
 No general administrative supervision.
- Netherlands—Punishment of fraudulent acts arising out of illicit agreements (Penal Code).
 No administrative supervision.
- Switzerland—Invalidation by the courts of agreements having objects such as exploiting the public for undue gain through monopolistic agreement or excessive restriction of economic freedom of members of cartels.
 No general administrative supervision.

111. COUNTRIES WITH WIDE GENERAL REGULATION OR OPERATION OF INDUSTRY BY GOVERNMENT

- Germany—Administrative and court supervision of industry under Cartel Decrees of 1923 to 1933.
- Italy—Punishment of the offences of restricting freedom of trade by force or threats (Criminal Code, article 165), and of affecting market prices by fraudulent means (Criminal Code, article 293).
 Invalidation by the courts of agreements contrary to public policy (Civil Code, articles 1119 and 1122).
 Administrative supervision of industry.
- Japan—Administrative supervision of many industries under Industrial Control Law of 1931.
- Russia—State operation of industry and trade.
- Spain—Administrative regulation of industrial production under Decree of November 4, 1926.
- United States of America—Administrative regulation of trade and industry under National Industrial Recovery Act of 1933.
 Prohibition of monopolistic agreements under National Industrial Recovery Act, Sherman Anti-Trust Law and other statutes.

THE ARGENTINE REPUBLIC

A general law was enacted on August 23, 1923, rendering abuses of power by trusts a punishable offence. A few months later an administrative decree was issued supplementary to this statute containing a detailed list of necessities of life which were to be safeguarded against monopolistic control.

A number of other statutes, not exactly to be termed trust legislation, have been enacted supplementary to the general law. A law of October 3, 1923, fixed maximum and minimum prices for meat, and a second law of the same date stipulated that cattle should be sold only on the basis of live weight. A further law, also of the same date, dealt with the control of the meat trade.

The general tendency exhibited by the judiciary is one of opposition to trusts and a desire to restrain them.

AUSTRALIA

The Australian federal government has been handicapped in the enactment of adequate combine laws by the limitations of its jurisdiction. Since the war attempts have been made to enlarge the powers of the federal government and a referendum was held to authorize the continuance of the extraordinary powers

given the Australian government during the war, but the measure was rejected at the polls. On the other hand, during the war all the states of the Australian Commonwealth, with the exception of Tasmania, enacted legislation dealing with the control and regulation of prices and since the war several of the states have passed legislation dealing with profiteering and price-fixing, including the Monopoly Act of 1923 passed by the legislature of New South Wales.

The outstanding legislation enacted by the Australian federal government has been the *Australian Industries Preservation Acts, 1906-1910*. In 1906 the legislature passed "an Act for the preservation of Australian industries and for the repression of destructive monopolies." This act was directed against the apprehended danger of the American Meat Trust extending its activities to Australia. The act was amended in 1908, 1909, and 1910.

The act stipulates that "any person who, either as principal or as agent, makes or enters into any contract or is, or continues to be, a member of, or engages in any combination in relation to trade or commerce with other countries or among the States

- (a) in restraint of, or with intent to restrain, such trade or commerce, or
- (b) to the destruction or injury of, or with intent to destroy or injure by means of unfair competition any Australian industry, the preservation of which is advantageous to the Commonwealth, having due regard to the interest of producers, workers and consumers, is guilty of an offence"

punishable by a fine of £500 and a further penalty in the case of continuing the offence of £500 for each day during which the offence is continued. It is provided that it should be a defence that the matter or thing alleged to have been done was not to the detriment of the public and the restraint was not unreasonable, placing the onus of proof on the defendant. The Act also stipulates that any person who monopolizes, or attempts to monopolize or who combines or conspires with any other person to do so is guilty of an indictable offence entailing the same penalties as above, or in the case of a corporation, double these amounts. The attorney-general may proceed by indictment or may institute proceedings in the High Court by way of a civil action to recover the pecuniary penalties for the offence. Other offences are:

(a) Bribery in the form of rebates, refunds, etc., to ensure exclusive dealing, refusal to deal, or joining a commercial trust. The penalty is £500 and contracts embodying such arrangements are made null and void.

(b) Refusal to sell or supply goods or services either absolutely or except under disadvantageous conditions to any persons for the reason, amongst others, that such persons are not members of a commercial trust. Penalty, £500.

(c) Whoever abets, procures, etc., or who is knowingly concerned in or privy to the commission of an offence or who commits outside Australia what, if done in Australia, would constitute an offence against the Act is guilty. Penalty, £500.

The attorney-general is also empowered to institute proceedings to restrain by injunction the carrying out or continuing of any combination or contract in restraint of trade. Any person who is injured by an act in contravention of the Act or by contravention of an injunction granted as above is given the right to sue for the recovery of treble the amount of damage sustained by him because of the injury. No person is excused from answering or making discovery of documents in such civil cases on the ground that such might tend to incriminate him, but his answers are not to be admissible in evidence against him in criminal proceedings other than for perjury.

The Act states that "unfair competition" is taken to mean competition which is unfair in the circumstances, and competition is deemed to be unfair, unless the contrary is proven, in the following circumstances:—

- (a) If defendant is a commercial trust,
- (b) If competition results, or would probably result, in an inadequate remuneration for labour,
- (c) If competition results in creating substantial disorganization in Australian industry or unemployment,
- (d) If defendant gives or offers rebates, discounts, or other reward to ensure exclusive dealing.

In determining whether competition is unfair, regard is to be given to whether the management and equipment of the industry affected by the competition is reasonably efficient and up to date.

Very little action has been taken under this Act and its efficiency is largely nullified by the constitutional limits of the federal government.

In addition to the above Act there are provisions in the Customs Tariff (Industries Preservation) Act, 1922, which relate to combines and trusts and are designed to prevent dumping.

Australia has a lengthy history of federal or state operation in various branches of commercial enterprise including banking, insurance, canneries; and wages have been generally maintained in Australia for many years at relatively high levels through government regulation. Through these and similar measures the Australian governments have exerted their chief efforts toward protecting employees and consumers against high-price policies of combinations and monopolies.

AUSTRIA

The legal position of cartels in Austria is based on the *Law regarding Combines* of October 7, 1870. Section 4 of this law declares any "agreements between industrialists or merchants concluded for the purpose of raising the prices of commodities to the prejudice of the public" to be legally inoperative. Under the Civil Code, independent of the Combination Law, cartels may be declared null and void if their activities are contrary to morality or public policy. The only cartels expressly prohibited by law are combinations for the submission of tenders. A law of March 9, 1921, regarding the illicit raising of prices, which provides penalties for agreements designed to secure undue profits on necessities, service and brokerage was directed against profiteering under inflation conditions and has not been applied, at least recently to cartels. The opportunity for exercising pressure on non-members or enforcing penalty provisions against members of combinations is very restricted.

In spite of these obstacles of the law, cartels have attained a position of relative importance in the country. This degree of cartel organization is stated, by the writer of the review published by the League of Nations in 1930 on which the present summary is based, to be due to a high development of discipline within industrial associations and to the prudent policies of the cartels which have minimized disputes calling for judicial decisions. The same writer includes the following in a list of general conclusions to be drawn from judgments of the Supreme Courts in illustration of the legal position of industrial combinations in Austria:—

"Cartels are not legally inoperative where their object is to protect the legitimate economic interests of the producers against middlemen or against unwarranted pressure to keep prices down (Decision of February 4th, 1903)."

"It is immaterial whether the cartel has actually had the effect of increasing prices as far as the public is concerned; it is enough if it has

placed the consumer in a less favourable position (Decisions of January 26th, 1898, April 6th, 1899, and September 4th, 1914)."

"The rationing of production constitutes a cartel, in so far as it is a means of artificially increasing prices (Decision of September 9th, 1914)."

A contract relating to the closing of a factory on the strength of an agreement with the competitors constitutes a restriction of competition and is consequently regarded as prejudicial to the interests of the community (Decision of March 20th, 1923)."

"...Decision of November 23rd, 1927, declared to be contrary to public morality (as infringing No. 1 of the Law of Unfair Competition) a contract of exclusion between the brewers and the bottle-fillers' corporation, whereby the information of any other bottle-filling concerns was to be prevented by the breweries by means of a refusal to effect deliveries; the court declared the reason given by the parties concerned, namely, that their object had been to remedy a crisis brought about by overcrowding of the industry, was incompatible with commercial liberty."

The laws of the country are thus distinctly opposed to a wide exercise of trade control by industrial combinations. An organization composed chiefly of small industrialists and merchants operates in Austria as a special defence body against cartels.

BELGIUM

In Belgium there are no statutes specifically governing trusts and combines. These are left subject only to the common principles of Belgian law. Until 1867 the French Criminal Code was in force in Belgium and Article 311 of the Belgium code, as amended July 18, 1924, is still very similar to Article 419 of the present French code.

Article 311 of the Criminal Code of Belgium provides that where fraudulent methods are used to bring about movements in the prices of foodstuffs, other commodities, or stocks and shares a crime has been committed, and this is punishable by imprisonment of from 15 days to five years and fine of from 300 to 5,000 francs. Moreover, even if fraudulent means are not used, persons who engineer abnormal fluctuations in price in the home market, "whether by prohibitions or agreements designed to fix minimum or maximum selling prices or by restrictions upon the production or the free movement of products", are also considered to be guilty. A further provision is to the effect that the court may order the publication of the sentence, or extracts from it, at the expense of the person upon whom sentence has been passed. The interpretation of Article 311 is very limited. Only where wrongful intent can be shown is it enforced and this is not considered to exist where an agreement between producers is designed simply to limit production in order to prevent it from exceeding the consumers' capacity for absorption.

Article 1131 of the Belgian Civil Code declares invalid any agreement based on unlawful grounds or contrary to public policy.

Article 1382 of the Civil Code allows a private individual to obtain damages if he has been injured by agreements which constitute acts of unfair competition prejudicial to the freedom of trade or industry.

Belgian jurisprudence is not unfavourable to combinations generally but rather in favour of concentration in industry and trade. Trusts or cartels which do not aim at producing abnormal rises or falls in prices are therefore lawful in Belgium.

CANADA

The first legislative action in Canada with regard to trusts and combines was taken in 1889, as a result of the acceptance of the "National Policy" of tariff protection and because of industrial and commercial developments which were then taking place. A select committee was appointed in 1888 by the House of

Commons to investigate the activities of industrial combinations with regard to certain specific commodities. The committee reported its findings during the same year, but it did not make any general recommendations. The following year, an act was passed, entitled: "An Act for the Prevention and Suppression of Combinations formed in Restraint of Trade". In 1892 this act was incorporated in the Criminal Code. As amended it now forms sections 496, 497, and 498 of the Canadian *Criminal Code*, R. S. C., 1927, c. 36, and reads as follows:—

"496. A conspiracy in restraint of trade is an agreement between two or more persons to do or procure to be done any unlawful act in restraint of trade. R. S., c. 146, s. 496.

"497. The purposes of a trade union are not, by reason merely that they are in restraint of trade, unlawful within the meaning of the last preceding section. R. S., c. 146, s. 497.

"498. Every one is guilty of an indictable offence and liable to a penalty not exceeding four thousand dollars and not less than two hundred dollars, or to two years' imprisonment, or if a corporation, is liable to a penalty not exceeding ten thousand dollars and not less than one thousand dollars, who conspires, combines, agrees or arranges with any other person, or with any railway, steamship, steamboat or transportation company

- (a) to unduly limit the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any article or commodity which may be a subject of trade or commerce; or
- (b) to restrain or injure trade or commerce in relation to any such article or commodity; or
- (c) to unduly prevent, limit, or lessen the manufacture or production of any such article or commodity, or to unreasonably enhance the price thereof; or
- (d) to unduly prevent or lessen competition in the production, manufacture, purchase, barter, sale, transportation or supply of any such article or commodity or in the price of insurance upon person or property.

"2. Nothing in this section shall be construed to apply to combinations of workmen or employees for their own reasonable protection as such workmen or employees. R.S., c. 146, s. 498."

In 1897 and in 1907 the *Customs Tariff* was amended to provide for the reduction or cancellation by Order in Council of the duties on such articles as might be exploited because of tariff protection by combines and trusts of manufacturers to the detriment of the public. A clause to this general effect is embodied in the present Customs Act.

In 1904 the *Inland Revenue Act* was amended to provide for the cancellation of the licence of any manufacturer who violated certain conditions of sale.

The *Patent Act* contains provisions for the revocation of patents if the reasonable requirements of the public are not met.

The first *Combines Investigation Act* was passed in 1910 and provided for the investigation of combines, the machinery for such investigations, and measures for combating industrial combinations operating to the detriment of the public.

In 1919 the Combines Investigation Act of 1910 was repealed by the *Combines and Fair Prices Act*. This new statute, together with the *Board of Commerce Act*, also passed in 1919, and providing for the establishment of a government board of supervision, formed a new and elaborate procedure for dealing with trusts, combines, etc., but, on reference of a ruling of the Board to the Privy Council, the legislation was declared to be *ultra vires* the Canadian Parliament.

In 1923 a second Combines Investigation Act was passed, which repealed the two statutes of 1919. This Act, as revised in 1927, is in force as the *Combines Investigation Act, R.S.C. 1927, c. 26*. Its full title is "An Act to provide for the Investigation of Combines, Monopolies, Trusts, and Mergers". Together with the above-quoted sections of the Criminal Code it represents the combine law of Canada to-day.

Combines are defined in section 2 of the Act as follows:

"2. In this Act, unless the context otherwise requires

(1) combines *which have operated or are likely to operate to the detriment or against the interest of the public*, whether consumers, producers or others, and which

- (a) are mergers, trusts or monopolies, so called; or
- (b) result from the purchase, lease, or other acquisition by any person of any control over or interest in the whole or part of the business of any other person; or
- (c) result from any actual or tacit contract, agreement, arrangement, or combination which has or is designed to have the effect of
 - (i) limiting facilities for transporting, producing, manufacturing, supplying, storing or dealing, or
 - (ii) preventing, limiting or lessening manufacture or production, or
 - (iii) fixing a common price or a resale price, or a common rental, or a common cost of storage or transportation, or
 - (iv) enhancing the price, rental or cost of article, rental, storage or transportation, or
 - (v) preventing or lessening competition in, or substantially controlling, within any particular area or district or generally, production, manufacture, purchase, barter, sale, storage, transportation, insurance or supply, or
 - (vi) otherwise restraining or injuring trade or commerce,

are described by the word 'combine'."

Section 4 provides that "Nothing in this Act shall be construed to apply to combinations of workmen or employees for their own reasonable protection as such workmen or employees".

The general administration of the Act is placed under the Minister of Labour. A Registrar is appointed whose duties are to receive and register and deal with applications for the investigation of alleged combines; to call for such returns and make such inquiries as he may deem fit in order to examine into alleged combines; to make reports to the Minister; to keep a register of applications, inquiries and reports; to keep all documents connected with such proceedings and to transmit them to the Minister when so required; to supply information relating to the Act or any regulations under it; and to do such other things as may be required in connection with his duties under the Act. The Governor in Council may also, from time to time, appoint commissioners under the Act to conduct investigations, and counsel may be appointed to conduct investigations before the Registrar or any Commissioner. Having received application of six persons, or when the Registrar has reason to believe a combine exists or is being formed, or when so directed by the Minister, the Registrar "shall cause an inquiry to be made". If in the opinion of the Registrar, after a preliminary inquiry, the circumstances do not justify further investigation he so reports to the Minister.

The Registrar is empowered to require from any person or corporation written statements under oath relevant to an inquiry and can require a full disclosure of all contracts or agreements. If he then considers that the circumstances justify such action or if a return is not made, the Registrar may

enter the premises and examine the premises, books, and records of the parties under investigation. The Registrar or Commissioner is empowered to call witnesses and examine them on oath. The Minister may also issue commissions to take evidence in a foreign country. No person may be excused from giving evidence on the ground that such evidence might incriminate him, but such evidence is not to be used in criminal proceedings to be instituted against him other than for perjury. The proceedings of the Registrar or Commissioner are private but the Minister may order that any portion of them be conducted in public. At the conclusion of every investigation the Registrar or Commissioner makes a report in writing and during an investigation the Minister may call for an interim report. The Minister may exercise his discretion in making a report public in whole or part, but unless in the opinion of a commissioner the public interest forbids publication of his report, it is to be made public within fifteen days after its receipt.

Whenever, as a result of an investigation, it appears to the satisfaction of the Governor in Council that there exists any combine within the meaning of the Act which is facilitated by the customs duties imposed on the article, Council may direct either that the article be admitted free of duty or that the duty be reduced to give the public the benefit of reasonable competition.

In case the holder of a patent has made such use of his exclusive rights as to limit unduly or injure facilities for producing, supplying, or dealing in the article, etc., such patent shall be liable to be revoked.

Having provided for these measures the Act stipulates certain measures to be taken against offenders. Any person is guilty of an indictable offence and liable to a penalty not exceeding \$10,000 or two years' imprisonment or, if a corporation to a penalty not exceeding \$25,000, who is a party, or privy to, or knowingly assists in the formation or operation of a combine within the meaning of the Act.

Prosecution is usually conducted by a provincial Attorney-General. The Act provides that whenever in the opinion of the Minister an offence has been committed he may remit to the Attorney-General of any province within which such alleged offence shall have been committed, for such action as such Attorney-General may be pleased to institute because of the conditions appearing, any returns made to the Minister relevant to such alleged offence, the evidence taken during the investigation, and the report covering it. If, within three months after the remission of such documents or within such shorter period as the Governor in Council shall decide, no such action shall have been taken in a province as seems in the public interest to be required, the Solicitor-General may, on the relation of any person competent to do so, permit an information to be laid against such persons as in the opinion of the Solicitor-General shall have been guilty of an offence against the Act, and the Solicitor-General may apply for the instruction of counsel to attend on behalf of the Minister of Justice at all consequent proceedings.

In view of division of opinion as to the constitutional validity of the Act, an appeal was taken to the Supreme Court and to the Privy Council, and the Act was declared in 1931 to be *intra vires* the Dominion Parliament. A body of law has been and is being built up through the judicial interpretation of the Act.

CZECHOSLOVAKIA

Until 1933 there was no special legislation in force in Czechoslovakia which covered the juridical position of cartels. In Bohemia, Moravia, and Silesia the Austrian law, including the Law of Combines of 1870, was in force and in Sub-Carpathian Russia and Slovakia the Hungarian law was in force. Certain general legislation applicable to the whole country provided means for regulating trade combinations in the following ways:

(1) Section 113 of the constitution provided for the dissolution of such associations as might threaten public safety and public order.

(2) Provisions for a certain measure of public control were made by Decrees of February 26, 1919, and April 15, 1920, which permitted the creation of special associations of concerns belonging to the same industry for the purpose of fixing prices with the co-operation of the central authorities. Ten years later there were no such associations in existence under these provisions.

(3) A Decree of September 23, 1919, enabled the Ministry of Public Works to introduce a system of compulsory administration in business firms under its supervision if they should act in a manner prejudicial to the interests of the community.

(4) The Emergency (Inflation) Decree of September 3, 1920, imposed certain obligations to give information and declare stocks and introduced a system of licences for buying and trading. This decree related only to necessities.

(5) The Penal law of August 12, 1921, directed against constraint in business, provided restrictions on the exercise of undue pressure in the organization of cartels.

(6) A law of June 15, 1927, against unfair competition, which went into force January 28, 1928, provided both criminal and civil remedies. On the strength of its general clause this Act is considered applicable to the relations between combines and their members as well as to relations between combines and third parties. This law provided general provision against unfair competition and supplementary clauses covering specific forms, such as false advertising, false indications of origin, disparagement, use of deceptive names, commercial bribery, violations of business secrets, and the unfair use of services of employees of competitors. The law provided that plaintiff might bring a civil action to cease and desist and also for damages. The citizens of foreign countries were also protected. Penalties were: imprisonment up to six months and fines not exceeding 50,000 crowns (\$1,500).

(7) A law of March 28, 1928, declared null and void any cartel agreements which relate to building materials and which result in fixing unduly high prices.

Finally, an Act was passed on *July 12, 1933*, which related specifically to price rings and combines. This act was directed mainly toward protecting the consuming public. It came into force September 1, 1933. The Act provided for the registration of all price rings, and copies of their agreements, with the National Office of Statistics. This office is also to supervise the prices which are fixed on the basis of such agreements. If danger to the public interest is anticipated the Ministry is directed to undertake an inquiry and if necessary, to institute conciliation negotiations. In the event of an inquiry the price ring must submit explanations with requisite data. If these are not satisfactory the Ministry may proceed to examine the books and other documents of the contracting parties. The results of the inquiry are to be reported to the Government. If the inquiry shows that prices are unjustified the Government may forbid the parties to exceed a certain price level and if this is not complied with (1) the parties may be called upon to deposit a sum not exceeding three million crowns (\$90,000); or (2) the contract may be declared to be null and void; or (3) the organization may be dissolved. The Government is empowered to delegate power to take these measures to a committee of representatives of the Ministries concerned. The contracting parties have a right to appeal to a special price ring court composed of magistrates and experts. The provisions of the Act may also be applied to private monopolies and to prices of goods or services of prime necessity as well as to price ring agreements concluded abroad and applied in the Republic.

DENMARK

An Act Relating to Price Agreements was passed on April 28, 1931, which came into force on January 1, 1932, and which is to extend until December 31, 1936. This Act provides that a committee shall be constituted to consider price agreements made by trusts and similar combinations of a monopolistic character with a view to determining whether they have brought about, or are intended to bring about, or are intended to fix, obviously unreasonable prices for goods of general consumption, or seek to maintain such prices by improper measures. The committee is to take action upon receiving a written and reasoned request for the examination of any such agreement. If the committee then finds that a price agreement is of the nature above described it must lay the matter before the courts which, if they confirm the findings of the committee, will declare the price agreement invalid and may impose fines.

The committee is composed of three members, consisting of a judge of the Supreme Court, a county judge, and a member to be nominated by the President of the Maritime and Commercial Court. The committee may demand from the amalgamations or businesses in question all information regarding the agreement and the measures for maintaining it. Refusal to supply such information is punishable by a fine of at least K. 25 per day. The firms investigated may, however, refuse to divulge technical secrets. In the event of such a refusal the director of the Polytechnic School is authorized to receive such information privately and, if he considers the refusal to be justified, he is to offer the committee his guidance. None of the committee or experts is to be interested in any way in the branch of production or trade under investigation.

FRANCE

The right of combination was not a part of the principle of the freedom of commerce declared following the French Revolution and expressed in the following terms of the law of March 2, 1791:—

“Each individual is free to transact any business or to exercise any profession, art or craft that may seem good to him.”

Industrial combinations were opposed and forbidden. The right to combine which has since developed with the introduction of the machine and large scale business enterprise is still restricted within certain limits.

The principal provision of French law relating to combines in trade and industry is *Article 419 of the Penal Code*. The offence under the law, which dates from 1811 and was widened and made more severe by amendments of December 3, 1926, is the promotion of an artificial rise or fall in the price of commodities. This offence can, under Article 419, be committed by the action of associations or individuals in exercising or attempting to exercise an influence on prices with the view of realizing profits other than those resulting from the natural effects of supply and demand. Article 419 of the Penal Code reads as follows:—

“All persons:

“(1) Who by wrongful or calumnious reports deliberately disseminated among the public, by market bids made for the purpose of upsetting quotations, by offering better prices than those asked by the sellers, or by any fraudulent means or devices whatsoever:

“(2) Or who by exercising or attempting to exercise, either by individual or collective action, any influence on the market for the purpose of acquiring profit other than that derived from the natural operation of the law of supply and demand:

“Directly, or through a third person, promote, or attempt to promote, an artificial rise or fall in the prices of foodstuffs and other commodities or negotiable securities either public or private:

"Shall be punished with a term of imprisonment varying from two months to two years and a fine varying from 2,000 to 100,000 francs.

"The Court may also forbid the offender to reside in a certain place for not less than two and not more than five years."

Article 420 provides severer penalties for combinations affecting certain necessities, and states:—

"Imprisonment from 1 to 3 years and a fine from 5,000 to 150,000 francs will be inflicted if the rise or fall in price has been operated or attempted in grains, flours, or substances of a farinaceous nature, food-stuffs, beverages, fuel or commercial manures."

Actual fines under French law are much heavier than those stated. The revision of Article 419 made in December, 1926, is said to represent the legislative recognition of the differentiation made formerly by the Courts between "good" and "bad" combinations. The characteristic element of the offence is the attempt to secure gains which are considered to be in excess of those resulting from normal effects of supply and demand.

Court cases under this law since 1926 have been few and relatively unimportant.

A further provision of the French Penal Code, Article 412, has been exercised against trade combinations in some few instances. This article relates to interference with the freedom of tenders, and bidding at auctions, by violence, threats or bribery.

The French system is essentially punitive; no provision is made for prevention.

The French commercial courts regard acts of unfair competition entitling to damages as well as certain forms of commercial boycott resulting from agreements between manufacturers and traders.

GERMANY

Germany possesses a number of laws and decrees dealing directly or indirectly with cartels and trusts. The principal enactment of this nature is the Cartel Decree of 1923, but there are also provisions of ordinary and public law, and a number of decrees issued since 1923 which modify the Cartel Decree of that year. The combine law of Germany is perhaps the most complicated of any country and consequently the most difficult to condense into a brief yet comprehensive sketch. Here it will be dealt with in three principal sections: (1) The Cartel Decree of 1923; (2) ordinary and public law; and (3) Decrees since 1923.

The post-war attitude toward cartels and other economic problems in Germany, such as national planning and socialization, has varied with shifts in political power and in state and public opinion. Cartels came in for popular criticism because of their activity during the period of currency depression when they were charged with having shifted the currency risk to distributors. These were the forces that led to the enactment of the Cartel Decree of 1923 which was intended to be of a somewhat provisional nature. Industry had already attempted to deal with its own abuses by means of a special cartel committee in the Federation of German Industries in 1920, and an advisory cartel council in the Ministry of Economic Affairs in 1922. The Cartel Decree of 1923 was not intended to destroy cartels or combinations but merely to prevent abuses by them which had developed. To settle differences between ordinary traders and co-operatives in connection with wholesale and retail trade special conciliation boards had been established in connection with the Ministry of Public Economy and similar boards existed for the purpose of dealing with complaints which arose within an industry itself or between industry and commerce. The attitude

of public bodies, however, was not uniform. In some cases they enjoined compulsory combination while in others combines were vigorously combated. The exercise of the supervisory powers granted under the Cartel Decree depends on the monetary, economic, and political situation as a whole.

I—*The Cartel Decree of 1923*

The Cartel Decree of November 2, 1923, or Decree Against the Abuse of Economic Power, gave cartels a special basic legal status of their own. It did not prohibit agreements to combine but, as indicated, was directed only against abuses of economic power. Each case was to be examined individually to decide whether such abuses existed. The Decree provided that in the event of the economic situation or the public welfare being endangered the administration should intervene. The outstanding positive provisions were to the effect that: (1) Cartel contracts and resolutions were to be reduced to writing; (2) confirmation of cartel contracts and resolutions by word of honour or solemn declaration were to be prohibited; and (3) the consent of the President of the Court of Cartels was to be obtained before deposits could be realized upon or punitive steps of a like nature taken. A court of cartels was established under the decree. This court was to be a special tribunal attached to the Economic Court of the Reich, its judges were to be counsellors of the Economic Court and its assessors to be drawn from business circles.

The provisions of the Cartel Decree fall into four groups:—

1. Material Provisions (sections 1-10, 16, 19)
2. Procedure (sections 11-15, 20)
3. Penalties (sections 17, 18)
4. Provisional Regulations (section 21)

1. *The Material Provisions* have a twofold object. Sections 1 to 9 are directed against certain agreements or decisions which form a link between several undertakings; principally against combines. The definite form which cartels must follow is laid down in section 1. Section 2 provides that no oath or assurance is to form the basis of a cartel. Section 3 provides that cartel agreements are to be considered null and void if they exclude or impede appeals to the Court of Cartels or infringe the operation of the Statute. Sections 4 to 7, and 16 provide that if a cartel or its operation is considered to be dangerous to the economic situation or the public welfare its binding force may be reduced or cancelled by a public appeal to the Court of Cartels or by administrative intervention on the part of a competent minister. It is permissible to institute public proceedings for an injunction against certain methods of executing cartel decisions or contracts, and such cartels can be forced by Ministerial Decree to submit regularly copies of all individual engagements and dispositions (sections 4, 3, 5). Section 8 provides that agreements or decisions of the type in question may be denounced at any moment on any grounds of sufficient importance. Section 9 provides that the realization of securities or the enforcement of boycotts on the strength of such agreements can only be carried through with the consent of the Court of Cartels. Section 10 deals with trusts as well as cartels and has in view all forms of economic control. The Court of Cartels has the power to veto agreements of this type which are concluded with third parties on the basis of such a system of economic control if they involve a danger to the economic situation or the welfare of the public. Section 19 provides that compulsory associations or contracts concluded on the basis of conditions or prices which have received official sanction are not subject to intervention.

2. Provisions which deal with *Procedure* govern the position, competency, and routine of the Court of Cartels. The Court of Cartels is an independent juridical body but attached to the Economic Court and general statutes of the latter are applicable to the former. The competency of the Court of Cartels is

exclusive and other courts are not to decide upon questions within its competency, (section 12). The Court of Cartels must give advisory judgments if required by the Minister concerned (section 20). At the instance of the Minister the procedure of the Court of Cartels may be preceded by mediatorial action in the conciliation courts. (section 14).

3. There are two kinds of *Penalties*: minor offences entail disciplinary penalties which are imposed by the Court of Cartels at the instance of the Minister. (section 17): Criminal proceedings are threatened to deter persons concerned from using the assistance given them by the statute to establish economic terrorism, (section 18). The ordinary machinery of the law is employed for such prosecutions.

4. *Provisional Regulations* of section 21 deal with the method of preserving the validity of agreements which were concluded before the statute came into force, either in form incompatible with that laid down in section 1 or confirmed by oath.

II—Public Law and Civil Law

1. *Public Law*.—Present legislation in these matters is based on the Reich Legal Regulation (1869) which favoured private initiative by establishing freedom of trade and abolishing the privileged position previously enjoyed by industrial organizations and guilds and therefore also abolishing compulsory organization. Open competition is implicit in this principle. No legal provisions were made to guard against organized attempts to establish monopolies as they were not then visualized. The public authorities adopted an entirely neutral attitude. The situation was not modified by the constitution of 1919. Although, in principle, freedom of association is allowed, the public authorities reserve the right to take steps withdrawing the juristic personality of or dissolving corporate bodies which act contrary to law or against the public welfare. Section 100 (q) of the 1869 Law prohibits compulsory corporate bodies from fixing prices or regulating competition in any way. Section 253 of the Criminal Code of the German Reich, (Prosecution for extortion), has only been applied sporadically regarding the compulsory powers of organization held by cartels.

2. *Civil Law*.—Section 1, (138) of the Civil Code constitutes a general rule of law affording protection against civil juristic acts of any kind which are *contra bonos mores*. This provision also affords protection against abuses of the power of organization. It affords protection against not only arbitrary acts in respect to individual members and similar acts compelling third parties to join the organization, but also against the effects on the national economy and common weal of the policy of selling at excessive prices. In practice, however, this rule has remained inapplicable because the organizations concerned have not been found to constitute a *de facto* monopoly or to be making an agreement intended to stifle competition even though in individual cases the opposite party has been proved to have suffered seriously from the consequences. A similar general clause was introduced in the Law Against Unfair Competition in 1909. This clause reads: "Any person who, in the transaction of business and for competitive purposes, performs acts which are *contra bonos mores* may be sued for restraint and for compensation for damages." As interpreted by the Reich Court, however, this does not protect the public but is a measure for the protection of competition itself. Section 826 of the Civil Code affords protection against damage caused by compulsory organization, and particularly against outside parties. It reads: A person who wilfully causes damage to another in a manner *contra bonos mores* is bound to compensate the other for the damage."

In addition to public and private law there are a number of important individual rules of law which have the effect of limiting the powers held by organizations in various economic fields, such as coal, potash, electrical industry, iron, matches, etc.

III—Decrees Since 1923

The Cartel Decree of 1923 was provisional and in 1926 the Social Democrats succeeded in having a resolution adopted calling for stricter supervision of trade combinations.

In 1928 a Congress of Jurists recommended a more aggressive policy by the State and the transference of the two vital clauses of the Cartel Decree to civil judicatures. Their influence, however, was not sufficient to influence the government.

During the depression the price-fixing power of cartels was brought forcibly to the attention of the public and they were accused of standing in the way of the adjustment of prices to the level of the new purchasing capacity.

The *Cartel Decree of July, 1930*, formed part of the general emergency decree of the same date and was intended to prevent uneconomic price-fixing and to provide for more direct action. It gave the Government power to invalidate agreements involving price fixing or price raising when such agreements prejudiced the production or distribution of goods or interfered with economic freedom to a degree not justified economically. The government could also, under such circumstances, issue an order authorizing members of such combines to withdraw within a certain time limit. There was also provision for reducing or abolishing import duties on combine-controlled commodities. The scope of this new decree involved agreements not covered by the combine ordinance of 1923, such as agreements imposed by individual firms or trusts. The enforcement of the new decree was placed in the hands of the Minister of National Economy without the intervention of the Cartel Court. In the administrative regulations it was provided that the decree was to apply also to any attempts to restrict resale prices or the prices of products or services of a kind or origin not covered by the cartel. This was aimed at the practice of some cartels of fixing resale prices for products obtained by their customers from outside competitors as well as for supplies and services connected with the distribution of the product covered by the combine agreement.

The Economic Council pronounced against the total prohibition of price-fixing during the crisis in favour of price reduction on proprietary foodstuff articles and for carrying out the reduction policy by negotiation with the cartels rather than by means of more drastic action. The price reduction policy regarding proprietary articles was embodied in a *Decree of January 17, 1931*, which ordered a minimum price reduction of 10 per cent as compared with prices on July 1, 1930.

A further emergency decree, more comprehensive in its reduction of prices, was the *Decree of December 8, 1931*, which provided for all fixed prices to be reduced by at least 10 per cent as compared with June 30, 1931. Prices bound by international agreement were excepted.

None of these decrees, nor the *Decree of 1932* providing for changes in cartel court procedure, can be regarded as embodying a definite combine policy. The National Socialist Government shows a stronger tendency to deal with cartels as a part of the new economic regime.

Two *cartel laws* were passed on *July 15, 1933*, which introduced some radical changes and gave the State, through the Minister of Economic Affairs, much wider powers of intervention.

The first law made more definite the powers of the minister to dissolve cartels under certain conditions without recourse to the Cartel Court and strengthened the influence of cartels by providing that the Cartel Court might approve boycotting measures by a cartel in cases where the business affected was managed by persons of insufficient reliability, including persons selling goods or services at prices held not to be justified in the light of conditions either of the firm or generally.

The second law provides for compulsory cartelization. The Minister of National Economy is empowered to combine enterprises if such action is deemed advisable in the interests of such enterprises as well as of the common welfare. He is given power to restrict the expansion or utilization of productive facilities in the interests of the branch of production involved with due regard to the general welfare. The significance of this law is that the existence of outside competition has been a dominating influence in cartel policy as well as in jurisprudence and prior to this decree cartelization was only resorted to in such key industries as coal and potash. New powers are given to be used only where private industry is unable to solve its own organization problems. Many appeals have already been made, in accordance with the new law, for compulsory cartelization and in a number of industries it has taken place with the aid of the government. German members of an international cartel (rayon) have been authorized by the government to withdraw from it without notice on the ground that it has failed to perform the function of dividing equitably the German viscose market or to equalize prices.

GREAT BRITAIN

Combinations of manufacturers and traders are not governed by any special statutes in Great Britain, but are subject to common law. Any contract or agreement made in unreasonable restraint of trade, (i.e., tending to create a monopoly by the abolition of free competition in trade or industry), is declared null and void as being contrary to public policy, although not necessarily illegal, unless involving an illegal act. A contract which is in restraint of trade, however, may be regarded as valid and enforceable if it involves only a particular restraint which is not larger than the protection of the party with whom the contract is made reasonably requires. The courts will not enforce a contract which is harmful to public interest and therefore combines cannot have recourse to the courts to compel recalcitrant members to observe stipulations illegally restricting their commercial freedom. With regard to relations between combinations and third parties the courts regard as illegal any agreement concluded between two or more persons to injure a third party in the exercise of his trade or industry. On the other hand, an agreement is lawful if its real object is not to harm a third party but only to promote the business or defend the interests of its members. It cannot be penalized even if it is prejudicial to third parties unless the means employed are illegal in themselves.

The courts consider as null and void any agreement which deprives a person unreasonably or unjustly of the right to engage in a lawful trade or occupation as, and where, he thinks fit. To be valid, such a contract must have for its sole object the protection of the person framing the contract, without actually harming the public interest and provided that the restrictions placed on the freedom of the party bound by it do not exceed what the person framing it is reasonably entitled to demand for his personal protection. Such restrictions must, moreover, be worded in sufficiently precise terms, based on valid grounds, and be not of too general a character.

In recent years there has been a tendency for the law relating to combinations to be stated with modifications. In a number of cases the courts have upheld the legality of trade boycotts and other devices by which trade associations seek to strengthen their positions against outside competitors. It remains true, however, that the interpretation which the courts give to the common law doctrine relating to contracts in restraint of trade is a limiting factor upon the formation of powerful combines in that it is difficult for the latter to secure the enforcement of agreements against recalcitrant members.

It may be noted that while the English law with regard to combines suffers in its effectiveness because it lacks machinery for investigation or super-

vision, the English courts have the power, owing to the nature of common law, to adapt legal practice to the fresh needs which constantly develop.

In 1919 a temporary law known as the *Profiteering Act* was enacted. This Act provided fines or imprisonment for the unlawful raising of prices. The Act expired in 1921.

In 1918 a Royal commission, called the *Committee on Trusts*, was appointed "in view of the probable extension of trade organizations and combinations, to consider and report what action, if any, may be necessary to safeguard the public interest." The committee reported in April of the following year to the effect that in every branch of British industry there appeared to be an increasing tendency toward the formation of trade associations and combinations having for their purpose the restriction of competition and control of prices. It enumerated ninety-three industrial associations and concluded that on the whole these groups were useful and beneficial but that, if unregulated, there were dangers to be apprehended from a system which inclined towards the control of prices and the creation of virtual monopolies. It recommended the institution of permanent machinery for the investigation of the operation of monopolies, trusts, and combines similar to the commissions and other tribunals which had been created for that purpose in the United States and certain British Dominions. The recommendations of this committee have not been followed, although in 1925 a bill was introduced in the House of Commons "to provide for the collection of information with respect to trusts and combines and to restrain abuses thereof."

The recent situation in Great Britain, resulting from industrial difficulties and unemployment, has had the effect of furthering the movement towards concentration and some recent legislation has encouraged it. The Mining Industries Act of 1926 gave the Railway and Canal Commission the right to exercise surveillance over the amalgamation or absorption of coal-mining undertakings. Since then Parliament has removed a number of difficulties preventing the concentration of industry in general. It may be said that English law with regard to industrial agreements is at present in the process of evolution. Its current tendency is not, in principle, hostile to such agreements if adequately regulated or controlled in the public interest.

HUNGARY

Until 1931 Hungary had no legislation specifically concerning cartels and similar trade combinations. Cartels have since 1914 been regarded by jurists in Hungary as legitimate in so far as the policy they pursue is not contrary to morality or public order as it would be considered by the courts, in particular, if an attempt was made to secure a monopoly of markets or limit competition by agreements abnormally affecting prices.

The criminal law prohibits the formation of combinations for the submission of tenders for public contracts. It also contains an Ordinance of 1920 against the artificial raising of prices.

The *Hungarian Cartel Law* which came into force on *October 5, 1931*, provides for the regulation of cartels and trusts and the suppression of such combinations operating to the detriment of the public. This law is based largely on the German Cartel Decree of 1923.

Article 1 of the Hungarian law provides, as in the German Decree, that all fundamental agreements of trade combinations must be in writing. The combinations included are "agreements or decisions involving the compulsory limitation of the output, sale or selling price of any commodity, or otherwise controlling commercial competition."

All such agreements are to be submitted to the Minister of National Economy for registration. Article 6 provides that "If, by reason of the agreements

or decisions covered by Article 1, or of any other action or policy directed towards the ends mentioned therein (even though not embodied in any written agreement or decision), the economic interests of the country or the public welfare are imperilled, and particularly in any case in which it is sought to control the manufacture, sale or price of any commodity in a manner not justified by the economic situation and to the detriment of consumers, producers or distributors, whether in the branch of industry primarily concerned or in any other branch, the Minister of National Economy may institute an official inquiry, negotiate with, penalize or prosecute the parties to the agreement. He may endeavour to modify the measures to which objection is taken by means of negotiations conducted or initiated by him, or by calling an arbitration commission. If these negotiations fail he may propose to take steps against the guilty parties by withdrawing their privileges in respect of taxes, duties and the like, by excluding them from public tenders, or by special industrial or freight measures. He may also propose to the Cartel Court to prohibit the execution of a harmful measure by means of a provisional order under penalty of a fine. Finally, he is authorized under Article 6 to order the immediate institution of a public prosecution in accordance with Article 7. If in the Minister's opinion it is unnecessary to take immediate action, he will, as a rule, obtain the opinion of the Cartel Commission before taking any of these measures.

The institution of a public prosecution is subject to certain conditions.

The Cartel Court may order the dissolution of an organization itself, or forbid the execution of any agreement concluded, or any decision adopted by it, under penalty of a fine.

An application for public prosecution may be made to the Minister, on the production of proof, by any authority, or by a private person. The Minister is not bound to comply with such an application, but if it is from a public authority he must, as a rule, obtain the opinion of the Cartel Commission before making a decision not to proceed.

Actions brought by private persons must concern matters exceeding the scope of purely private interests. Persons whose private interests suffer damage have their remedy in the ordinary courts.

Articles 17 and 18 prohibit agreements affecting prices of agricultural produce to the detriment of producers, and include the following provisions:—

“Any understanding, combination or other measure, the object of which is the manipulation, to the detriment of producers, of the free and natural level of market prices for agricultural produce, is hereby forbidden.

“Unless such action is punishable by a heavier penalty, any person who concurs or co-operates with others or spreads false rumours, with the object of influencing the free and natural level of market prices for agricultural produce to the detriment of producers shall be guilty of an offence punishable by a fine.”

Procedural Provision

The law provides for the co-operation of the following authorities:—

1. The Minister of National Economy.
2. The Cartel Commission.
3. The Legal Representative of the Treasury.
4. The Cartel Court.
5. The Local Market Police (under Articles 17 and 18).

1. The Minister's functions are established in detail.

2. The Cartel Commission is an advisory body composed of eleven members acting in an honorary capacity but on the footing of public officials as regards secrecy, etc. They are appointed by the Cabinet. An Ordinance provides that the manufacturing industries, craftsmen, commerce, agriculture, the general

consumer and labour are to be represented on the commission by at least one member each.

3. The Legal Representative of the Treasury (Causarum regalium Direktorat) has the power of a public prosecutor and consists of official solicitors, who receive a fixed salary to represent the Treasury under private law. It may at the request of the Minister take action with a view to annulling an arbitration award which infringes the law, or for enforcement of other provisions of the Cartel Law.

4. The Cartel Court is a special court of five members and is attached to the Supreme Court. The president of the latter is also president of the former and has the right to delegate his powers. He prepares a list of judges of the Supreme Court from which two are appointed by the president of the Cartel Court for each case. Two lay assessors are appointed from a list of ten experts prepared by the Minister of Justice. Cases brought before this Cartel Court are always "prosecutions in the public interest." Procedure is governed by the principles of civil procedure. The decision of the Cartel Court is binding on the ordinary courts and Arbitration Court. The Cartel Court is competent to impose penalties.

5. The market police represent the lowest authority, having jurisdiction over local matters of trade in agricultural products. If they cannot settle minor difficulties the district administrative board may take proceedings and inflict fines.

Prior to the passing of the 1931 Cartel Law the Hungarian courts had already adopted the view that an agreement between persons for the purpose of varying the normal prices of articles as established by supply and demand is *contra bonos mores* and a breach of public order. Such an agreement is considered as a limitation of the competition which should exist to safeguard the interests of the public, and as injurious to the body of consumers. For this reason the courts also refused to admit any action based on such an agreement. According to a Hungarian Judgment of recent years an agreement prohibiting the marketing of articles at less than cost price is not considered to be illegal.

ITALY

The Fascist State during the past year has been developing a grouping of its citizens into corporations approximating to guilds. These guilds are grouped by industries and include both labour unions and trusts or cartels. The guilds are under the immediate authority of the State. The guilds are expected to settle internal difficulties by conciliation but if they fail, appeal may be made to the Labour Magistracy. On the other hand, the State or its public bodies are expected to consult the interested guilds before taking any decision of an economic or social character with respect to them. The guilds are expected to regulate production for the various industries. It is intended that the guilds, in addition to functioning for particular industries, should form a plenary assembly to handle general problems. This program of guild organization is not yet completed. It represents one of the experiments to solve modern economic problems on a national basis without resorting to complete state control.

The operations of cartels are not the subject of special legislation, although the government has often tried to combat the high cost of living by exercising control over prices, particularly retail prices. During the present year (1934) a new flat reduction in wages and prices has been made by the Government.

After war-time price regulation a law of September 30, 1920, instituted provincial boards of arbitration to conduct investigation into prices of raw materials and articles of general consumption and give awards regarding prices in disputes between buyers and sellers. Penalties including the provisional closing of offenders' premises might be imposed by these boards of arbitration.

The Law of 1920 was unsuccessful and was annulled in January, 1923. Another attempt to combat the high cost of living was made by a decree of December 15, 1926, establishing municipal supervisory boards to grant trading licences. This decree was still less effective and was annulled a year later.

Provisions of the Civil and Commercial Code afford various measures of protection against detrimental activities of combines. According to Article 165 of the Criminal Code of Italy:—

“Any person who in any manner whatever restricts or hinders freedom of trade by means of force or threats shall be liable to imprisonment for not more than twenty months and a fine of not less than 100 and not exceeding 3,000 lire.”

“This clause enables penalties under the Criminal Code to be imposed if competitors are threatened with a trade boycott for refusing to be amenable to the discipline of a cartel of producers or traders.”

If the objects of a trade combination are unlawful, Articles 1119 and 1122 of the Civil Code, relating to illit obligations, are applicable. Article 326 of the Penal Code makes it an offence to promote by fraudulent means a shortage or increase of price in foodstuffs. Agreements between shipping companies for raising prices are declared illegal by Article 32 of the emigration legislation. The courts have always held that industrial agreements as such do not constitute illit associations but that a consideration of the aim of the particular agreement must be considered in judging the legality of each case.

While recently encouraging cartel agreements designed to control production and lower costs and prices, the Italian government views participation in international cartels with distinct disfavour.

JAPAN

There is no legislation forbidding cartels and trusts in Japan, and the judiciary until quite recently has not concerned itself with this question.

A Decree of the Ministry of Agriculture and Commerce of September 1, 1917, set up a controlling body supervising the purchase and retention from the market of certain commodities including grain, flour, steel, iron, coal, textiles, paper, dyestuffs, drugs, manures, where this is done with a view to securing abnormal profits by fixing prices.

Since 1931 the Japanese government has been giving considerable attention to the rationalization of industry. A Bureau of Industrial Rationalization has been established for the primary purpose of assisting important industries in improving their efficiency of management and for the promotion of trade associations. An important function of the Bureau is its control over cartel agreements in important industries.

The *Industrial Control Law of 1931*, although not placing industries under state control, provides for state supervision. It provides that, should one half of the companies in a given industry reach an agreement to curtail production, it will be ordered by the government provided two-thirds of the industry agrees. The law aims at standardization of production, improvement in quality, and the prevention of undue competition and price-cutting. The authorities have the right under this law to investigate combine agreements and may alter or abolish agreements when the interests of the industry and the community are jeopardized. The Bureau of Industrial Rationalization, which derives its power from this Act, is also charged with promoting the formation of trade associations among unorganized manufacturers. The objects in encouraging such associations include the utilization of common plants, and the adjustment of the price and quantity of products. Associations have been established among manufacturers of textiles, enamelware, pottery, superphosphates, automobiles, iron and steel,

etc. Various bills have been drawn up to give the government a stricter control over the industrial situation, particularly with regard to the promotion and protection of new industries. The manufacture of carbon dioxide, sugar refining, and the gasoline refining or trading industry have been added recently to the list of industries designated by the law.

On October 31, 1933, certain other regulations were instituted:

1. Manufacturers' associations intending to establish a price agreement must clearly state in their articles of incorporation the means by which the agreement is to be made effective.

2. Such price agreements are subject to the formal approval of the government.

3. The manner in which application for the Government's approval is to be made is defined.

4. The period for which a price agreement is to remain in force is to be limited to from three to six months.

5. An organization composed of trade representatives and government officials is to be established for the purpose of advising the government whether the price levels proposed in such agreements are reasonable and likely to react to the benefit of the public or otherwise.

Japanese laws and regulations which, during the past three years, have tended so directly toward the concentration and regulation of industry are not motivated by the same considerations as in most other countries. Strained foreign relations and strong pressure for industrial and territorial expansion appear to have been a leading factor in the mobilizing of Japanese industry.

THE NETHERLANDS

A general Article of the Dutch Penal Code refers to an "unlawful act." A person injured by the formation or methods of operation of a combine may declare himself to be a victim of an unlawful act. No proceedings against trade combinations appear to have been taken under this measure.

Dutch law contains no provision for the regulation of trusts or other trade organizations by the state.

Under a decree of May 11, 1920, a Royal Commission was formed for the purpose of investigating the question of what legal measures were necessary to bring the production and marketing of goods into greater harmony with public welfare. No further action with regard to this movement has been noted.

NEW ZEALAND

Legislation in New Zealand has shown a similarity to that of Australia, with the important difference that, while the Australian Federal Government has been severely handicapped by lack of jurisdiction, the government of New Zealand has been unrestricted in this connection and well able to institute such legislation as it has believed necessary.

In 1905, 1908, and 1910, laws were enacted to prevent monopolistic developments in the New Zealand markets in regard to foodstuffs, coal, petroleum and tobacco. *The Monopoly Prevention Act of 1908* consolidated statutes which dealt with the dumping of foreign agricultural machinery and the monopolizing of flour supplies.

The Commercial Trusts Act of 1910 was based on Australian legislation and was limited in its operation to certain classes of goods. A commercial trust is defined as an association or combination either in New Zealand or elsewhere having as an object control, fixation, or influence upon supply and demand or

prices of goods, the creation or maintenance of a monopoly, whether complete or partial. An offence is committed by

(1) Any person who either as principal or agent gives, offers, or agrees to give another a rebate, refund, discount, or other consideration, to ensure exclusive dealing or refusal to deal, or to become a member of a commercial trust, or to follow instructions of a commercial trust.

(2) Any person who refuses absolutely, or agrees only upon disadvantageous conditions, to sell or supply another because the latter does or will deal or refuse to deal with any person or class of persons, is, or refuses to be, a member of a commercial trust, or does, or does not, act in accordance with the instructions of a commercial trust.

(3) Any person who conspires to monopolize wholly or in part the demand or supply or to control the price of goods, if such monopoly or control is of such a nature as to be contrary to the public interest.

(4) Any person who sells, or offers for sale or supply, goods at a price unreasonably high, if such price is in any way influenced by a commercial trust of which the person or his principal is a member.

If a commercial trust sells or supplies goods or offers to do so at unreasonably high prices every person who is a member of the trust has committed an offence and, in the case of a corporation, it is itself guilty without excluding or affecting the liability of its members. For purposes of the Act the price is to be deemed unreasonably high if it produces, or is calculated to produce more than a fair and reasonable rate of commercial profit.

A penalty of £500 is provided for each person who is guilty under the Act, and penalties are recoverable by civil suit in the Supreme Court instituted by the attorney-general. The Supreme Court may also grant an injunction against the continuance or repetition of an offence under the Act. The few proceedings under this Act have included prosecutions of an alleged sugar trust (1913) and an alleged milling trust (1927).

These enactments were followed by the *Cost of Living Act, 1915*, which vested in a Board of Trade certain powers of inquiry and investigation in the case of infringement of the Commercial Trusts Act and in other matters relating to the cost of living and prices. The *Slaughtering and Inspection Amendment Act, 1918*, which was enacted to combat the activities of the Meat Trust, prohibited the exportation of meat from New Zealand except under licence by the Minister of Agriculture.

The *Board of Trade Act of 1919* repealed the *Cost of Living Act of 1915* and authorized the Board of Trade to hold such judicial inquiries as it might think fit, whether of its own motion or on a reference from the Governor General or on complaint from an individual, into any matter relative to any industry, "for the purpose of obtaining information which may be required for the due control, regulation, and maintenance of the industries of New Zealand; the due observance, enforcement, or amendment of the laws relative thereto; the discovery of breaches of those laws; the prevention or suppression of monopolies, unfair competition, and other practices detrimental to the public welfare; the proper regulation in the public interest of the prices of goods and the rates of services; or for any other purpose relative to the industries of New Zealand." The Act provides for the procedure of investigations, the hearing of evidence, the production of papers, and publication of results. The Governor-in-Council may, on the recommendation of the Board of Trade, make such regulations under the Act as he deems necessary in the public interest for the following purposes:—

(1) the prevention or suppression of methods of competition, trading, or business considered unfair or prejudicial to the country's industries or to the public welfare;

(2) the prevention or suppression of monopolies and combinations in or in relation to any industry which are considered to be prejudicial to that or any other industry in New Zealand or to the public welfare;

(3) the establishment of a fixed or maximum or minimum price for any class of goods or services;

(4) the prohibition, regulation, or control of differential prices or treatment;

(5) the regulation and control of industries in any other manner, except the determination of remuneration of employees. Offences against the regulations of the Board of Trade are punishable by a fine not exceeding £1,000 or imprisonment for not more than three months. Prosecutions are instituted only with the consent of the Board of Trade. If two or more commit the offence each is liable independently of the others. Penalties are recoverable by civil action instituted by the attorney-general, and the Supreme Court may grant an injunction against the continuance of an offence. Similar penalties are provided for persons who sell or offer goods at prices unreasonably high ("calculated to produce more than a fair and reasonable rate of commercial profit") or who destroy, hoard or refuse to sell with the result of raising the cost of similar goods to the public.

The few prosecutions which have been conducted under this Act include proceedings against members of a combine in the distribution of sugar, members of which were convicted, and an action against members of a flour milling combination. The conviction in the latter case was reversed by the Privy Council in 1927. Investigation and publicity are commonly relied on to safeguard the public interest against injurious policies of trade combinations.

NORWAY

An "*Act regarding the Control of Limitation of Competition and Improper Manipulation of Prices*" which came into force in Norway on *July 1, 1926*, provides a comprehensive system of regulation of trade combination. The main object of the law is to prevent excessive prices and profits by preventing undue limitations of competition.

In 1913 a proposal was made by the Government to establish a committee to study measures for the prevention of detrimental policies by cartels and trusts. Due to the war this committee was not appointed until 1916. Government regulation of prices was in force throughout the War period. An Act of August 6, 1920, required "monopolies, combines and all other methods of limiting competition" to be reported to the Directorate of Prices, a price control office established in 1917 for the regulation of commodity prices and the profits of distributors. The development of trade combinations is shown by the fact that in addition to the general body of trade, about 470 such associations were subject to control, as well as 58 concerns having monopoly characteristics.

The Combines Law of 1926 repealed the previous legislation for the regulation of prices.

To administer the Act, an Office of Control, and a Council of Control were established. The Office of Control exercises a control over combinations and the regulation of prices as laid down in the statute. In individual cases appeal may be made to the Council of Control, which further issues certain regulations governing the activities of the Office of Control. The Office of Control maintains a register, which, in general, is accessible only to the control officials but, if the Council agrees, portions of it may be made public. The register contains the agreements of all combinations between persons engaged in gainful enterprises, which have for a purpose the regulation of prices, production or distribution. Control officials are entitled to any information they may require in order to carry out their duties; they may examine the books and papers of any concern and, in case of need, confiscate them; and they may demand that technical

secrets or processes be disclosed to the Office of Control or to the president of the Council of Control. The Council of Control and the Office of Control are independent bodies but the former has no independent initiative. If the administration of a commune so elects, communal control committees may be appointed to assist the Council of Control in its functions, subject to the approval of the central Administration.

The scope of the law extends to measures for the prevention of improper manipulations of prices and for the control of restrictions on competition. It is applicable to both private business enterprises and to such as are conducted by municipalities in competition with private concerns. Combination to regulate wages and working conditions are exempted from the terms of the Act.

The organizations subject to compulsory reporting and registration include combinations which have taken steps, or desire to take steps, to settle prices or conditions of production and marketing in so far as those combines are of importance to the national market; agreements or arrangements serving such purposes or having such effects; and individual enterprises having an important effect on the prices of goods or services.

A special system of control is prescribed for large-scale undertakings in the form of joint-stock companies with capital or assets of at least one million crowns, except banks and insurance companies.

Those subject to the reporting of trade programs and then to registration have further of their own accord to make any supplementary declarations arising out of the text of the law. In the event of their failure to make a notification, the Office of Control proceeds to register them of its own authority and may inflict upon offenders large fines or severe terms of imprisonment, or they may be prevented from carrying on their business for five years or permanently. Information given in registration except technical secrets, may be published if the public interest so requires.

A general clause imposes a general prohibition on undue prices, making it illegal not only to adopt but to demand undue prices and exorbitant conditions. At the instance of the Office of Control the fixing of minimum resale prices may be forbidden. Prices and profits of members of combinations or of other undertakings with "no adequate regulation by competition" may be limited on order of the Council of Control.

Special provisions relate to the actual organization of combinations and agreements, and confer on the Council of Control the right to decide as to their maintenance and as to the exercise of compulsion by the organization. An organization may not impose upon members penalties for non-fulfilment of their agreement and may not realize bills of exchange, bonds, or other deposits in cases where the provision which the member has infringed is itself "unfair" or if the penalty is "contrary to the general interest". The Council of Control at the instance of the Office of Control decides whether provisions of the kind prohibited are present in any particular case.

Combinations designed to regulate competition may be dissolved by the Council of Control if it can be shown that they injuriously affect prices and conditions of production and sale in the home market or if generally their activities are to be regarded as undue. Appeals may be made against decisions of the Council of Control. The appeal is taken to a Commission of Appeal, consisting of a senior judge and four lay assessors appointed by the Crown. This Commission constitutes an administrative Court of Appeal for all proceedings arising out of the Act.

Special provisions of the Act relative to boycotting, exclusive agreements, and price discrimination. Boycotting is defined as

"the refusal of one or more traders to transact business with another trader or with a consumer on the ordinary business terms; it is, for instance, to be regarded as commercial boycotting whenever the object of the refusal

is: (a) to limit the number of traders or (b) to fight a business group, including both the group itself and its customers, and (c) to fight outside competitors of every description and their customers."

The initiation of or participation in a boycott of a commercial concern is prohibited if it is against the public welfare or if it is unjustly detrimental to the boycotted party. Exclusive agreements, under which a trader transacts business exclusively or under especially favourable terms with another person or limited number of persons may under the Act be similarly prohibited by the Council of Control, also all discrimination between customers or areas in the matter of prices and terms of sale when such discrimination tends to unduly restrict or restrain competition or if the discrimination does not result from justifiable differences in costs of distribution. Selling at prices which are evidently insufficient and purchasing at exorbitant prices are forbidden when the effect is to unduly limit competition and when the purpose is to injure competitors.

Penalties for violations of the Act consist of fines, imprisonment or the suspension of concerns from business. Penal procedure is evidently taken in the ordinary courts as no special provisions appear in the Act.

The Norwegian Act represents a purely administrative supervision of trade combinations; it covers a large number of commercial concerns in the country and its application is carried out entirely by the constituted administrators.

POLAND

Until 1933 Poland possessed no special combine laws and its legal system was complicated and diverse. Austrian, German and Russian laws were in force in the different parts of the country according to pre-war government. The Austrian portion included Austrian laws at the time of the War. In the former German portion the formation of combines was subject to the provisions of communal regulations. In the former Russian portion Article 242 of the Penal Code of 1903 made it a punishable offence to conclude "any arrangement made with the purpose of increasing the prices of articles, especially of the indispensable necessities of life."

On *March 28, 1933*, a new statute was enacted to provide against detrimental "price rings." The *Law regarding Price Rings* covers all agreements which aim at the control or regulation of production, sales prices and conditions of trade in mining, industry, and commerce. All such agreements must be communicated to the state authorities within a fortnight of conclusion. Any amendment or cancellation of such agreements must also be reported. The register containing such agreements is open to the public and the registration of any ring is published in the official gazette. If it is considered that the agreement or its operation may constitute a public danger, or has done or is doing so, or if prices are raised to an economically unjustified level and so maintained, the Government may impose any or all of the following measures: termination of the agreement or of certain of its provisions; authorization for the members to terminate the agreement without penalty; or exemption of members from the necessity of obeying the provisions of the agreement. All questions relating to rings are to be decided under this new Act by a tribunal established for the purpose consisting of five members, three being judges of the Supreme Court, and two being laymen selected from the list of those qualified to act as commercial arbitration officers. The tribunal is established under the Supreme Court. Members of rings which are covered by the Act are bound to submit to the Minister, on written application made by him, all books, documents, etc., relating to their agreements and such other information as he may require.

The state operates numerous enterprises reaching into many branches of production and under special provisions controls or regulates various cartels and

syndicates of exporters. An Anti-Profitteering Law of July 2, 1920, provided penalties for traders or manufacturers who wilfully exact excessive prices. The provisions of this Law have not been generally applied to cartels although by a decision of March, 1927, the Court held that the fixing by a combination of merchants of prices at which each should sell coal under penalty of expulsion fell under the provisions of the Anti-Profitteering Law.

Other Orders exist regulating the selling prices of various commodities.

RUSSIA

(Union of Soviet Socialist Republics)

Ninety per cent of the industrial output of the U.S.S.R. comes from the state trusts which are responsible to the Supreme Economic Council for their efficiency, quality of product, and profitable operation, but which, since 1927, have enjoyed a certain degree of autonomy. In 1928 there were 8,750 large enterprises operated through these state trusts. In addition, many small establishments were operated by co-operatives as private enterprises and a number of concessions were operated by foreign firms, forty of which were for mining and manufacturing. The State trusts are usually organized on the horizontal principle. Since the administration is through the government and for the government, there is opportunity, through the State Planning Commission, to attempt to co-ordinate production, distribution and consumption on a scale never before attempted. Some of the State trusts control the industry assigned to them for the whole country and some only for particular geographical regions.

SPAIN

Spanish law contains provisions of a general character directed against agreements or arrangements which might injure consumption through the artificial enhancement of prices. The chief aim of the government seems to be to check individual speculation facilitated by the inadequate economic organization of the country, which has also prevented combinations from attaining an important place there.

Under a decree of 1921 dealing with the supervision of wholesale and retail prices all producers may be compelled to announce their selling prices.

A regulation of December 31, 1923, provides that products of prime necessity and foodstuffs are to be placed under the supervision of committees. These committees are empowered to regulate the price of raw materials used in these commodities and to supervise and restrict their distribution. In the event of fraudulent interference with prices penalties may be imposed.

A Royal Ordinance of May 5, 1926, set up a "Committee for the Regulation of Industrial Production," without the authorization of which it is forbidden in principle, to establish or modify any industrial company or even to transfer installations. Ordinances and decree laws of 1926 and 1929 considerably modify the apparent severity of the 1926 ordinance.

Although the regulations in force in Spain are not primarily aimed at trusts and combines, they do amount to the supervision and administrative rationing of production in various industries.

SWEDEN

In 1920 the Government appointed a committee for the purpose of preparing a Bill for the supervision of all monopolistic combines by the State. The Bill was subject to many alterations before becoming law. According to that law—the "*Act for the Investigation of Monopolistic Enterprises and Combines*"—dated June 18, 1925—the Government is authorized to institute inquiries

into the operation of "manufacturing, commercial, banking, insurance or transport undertakings of monopolistic character" through officials or specialists appointed for the purpose, in order to ascertain how far the undertakings influence prices or market conditions in Sweden. Such persons may not be refused information or access to books and documents.

On the strength of this Act, the Government appointed an expert early in 1926 to inquire into the influence of a Swedish milling combination with regard to the prices and marketing conditions of bread cereals, and other cereals.

No information has been secured on Swedish laws subsequent to 1927.

SWITZERLAND

No special legislation on trade combinations existed in Switzerland up to 1927.

Abuses of trade combination are dealt with in the ordinary courts and each case is considered on its individual merits. Cartels as such are not considered against the public interest. The courts hold the exploiting of the public for undue gain on the strength of a monopolistic position to be unlawful; the excessive limitation of the economic liberty of members of combinations is similarly regarded.

No information has been secured on Swiss law relating to trade combinations subsequent to 1927.

UNION OF SOUTH AFRICA

The *Cape of Good Hope Meat Trade Monopoly Act*, passed before the union, was continued in accordance with the South Africa Act, 1909. It provides for the licensing of butchers, and "every act, contract, combination, or conspiracy in unreasonable restraint of trade of a butcher" is declared to be illegal. The maximum penalty is £500 or one year's imprisonment.

The *Union Post Office Administration and Shipping Combinations Discouragement Act, 1911*, provides that no ocean mail contracts shall be entered into with any person connected with any shipping or other combination or who gives, offers, or promises a rebate, etc., to ship goods by vessels of a particular line to the exclusion of any others.

The *Profiteering Act* of 1926 was temporary. The *Speculation in Food-Stuffs Prevention Act, 1920*, provides for licensing dealers and brokers of food-stuffs.

The *Board of Trade and Industries Act, 1921*, set up a board with extensive powers of investigation. Under further legislation in 1923 the Minister of Industry was empowered to take action against combinations tending to set up a monopoly.

An Act (*Number 24*) was passed in 1931 dealing with the sale of gasoline. It prohibits gasoline wholesalers from compelling retailers to sell at a prescribed price, or to refrain from purchasing from a particular source, or to limit their sales. It further compels wholesalers to sell gasoline on the most favoured terms to any trader who is able to pay for it. The provisions of this Act may be applied by the Governor in Council to any contrivances used in the distribution of gasoline, to motor requisites, to bread, meat, fish, and coal, and, if authorized by a resolution of the legislature, to any other commodity.

THE UNITED STATES OF AMERICA

The United States of America has endeavoured in every domain to safeguard the maintenance of free competition. Until the passage of the National Industrial Recovery Act, with which this survey does not deal, this policy of

the people of the United States has been the first principle of the national economic creed. It has been the outcome of the desire to maintain the unity of the constitutional principles on which their legislation is based. Until 1890, however, the question of industrial combination was governed by the common law only, which prohibited restriction of the freedom of trade. Common law did not prevent the formation of combines and trusts and, in the light of exposures of unfair methods utilized by industrial combinations, the government of the United States entered the field of anti-trust legislation in 1890.

The *Sherman Anti-Trust Law, 1890*, contains eight sections. The first three define offences and state penalties. The Act prohibits all improper limitations of commerce in interstate and foreign trade and declares illegal "every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States or with foreign nations. The Court may assess fines up to \$5,000 or imprisonment up to one year, or both. Under this law the government can take action in two ways or both simultaneously:—

- (a) It can institute criminal proceedings against persons who participate in illegal associations;
- (b) It can institute proceedings to restrain and repress violations of the law.

It is not necessary to bring written evidence with regard to the illegality of such agreements since the fact of combined action can be deduced from circumstances and from the general policy of the defendants.

The second prohibition under the Sherman Law is directed against actions by individual persons and declares illegal any monopoly or attempt to monopolize a part of inter-state or foreign commerce.

Sections 4 to 7 inclusive outline jurisdiction and procedure. The Circuit Courts were at first given jurisdiction but these have now been replaced by District Courts. Federal District Attorneys are charged with prosecuting violations. The Courts are empowered to summon witnesses and to make forfeit certain property belonging to corporations under trial and to provide for the recovery of liberal threefold damages by any person who is able to prove damage done to him by such unlawful combination. The closing section defines "person" to include corporations as well as individuals.

The Courts have finally come to some definite conception of "improper restraint" of trade. The considerations discussed by the courts in dealing with individual cases have been its effects, extent, character, the methods employed in its realization, and the intention of participants. The law is brief and direct and of broad application. The interpretation of the courts, however, gradually drew a distinction between "good and bad trusts" and tended to introduce a workable basis founded on the particular circumstances of particular cases. This basis of interpretation became known as the "Rule of Reason."

The Sherman Act included application of its provisions to monopolies and trade restraints due to combinations of labour. An amendment, introduced while the Act was under consideration, to exempt labour failed, and labour did not secure a legislative expression of exemption until twenty-four years later under the Clayton Act.

Between 1890 and 1903 many bills concerning trusts were proposed but none were passed with the exception of the anti-trust sections of the *Wilson Tariff Act of 1894*. These sections declared unlawful any combinations engaged in the importation of goods into the United States whenever the combinations sought to restrain trade or competition, or to increase prices of their imported goods, or of wares made from such goods.

It became apparent during the early attempts to administer the Sherman Law that it suffered from the same weakness as common law in that it provided no administrative agency charged with the power to investigate circumstances and collect information regarding the great corporations and give publicity to their methods of conducting business. The creation of some such Federal administrative commission was urged in 1893, 1902, and 1903, and in February, 1903, Congress established the Department of Commerce and Labour and provided a *Bureau of Corporations* in the new Department. The chief functions of this Bureau were those of investigation and publicity. Its principal duties were to investigate trusts and combinations in restraint of trade and to advise the Department of Justice in cases which involved enforcement of the anti-trust laws. It was empowered to examine and report to the President on the organization, conduct, and management of corporations and associations engaged in interstate or foreign commerce, with the exception of public transport services. In 1915 the Bureau of Corporations was absorbed by the Federal Trade Commission.

In 1913 the *Panama Canal Act* was passed. It contains a paragraph which denies the use of the Canal to persons doing business in violation of the anti-trust laws. In 1913 an *amendment* was made to the *Wilson Tariff Law* prohibiting all associations, agreements, and conspiracies between persons any of whom were engaged in importing goods from abroad and who had the intention of operating in such a way as to restrain lawful commerce or free competition, or to raise the market price of imported articles.

In 1914 a second definite step was taken by the United States in its anti-trust legislation by the enactment of the *Clayton Act, 1914*, and the *Federal Trade Commission Act, 1914*.

The *Clayton Act* is entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes." This Act makes it unlawful for any person to discriminate in price between different purchasers of commodities except where such discrimination merely allows for differences in the quality or quantity sold, or in the selling or transportation costs, or where made in good faith in order to meet competition. The Act further forbids a corporation to acquire the whole or part of the stock or other share capital of any other corporation "where the effect of such acquisition may be to substantially lessen competition" between them "or to restrain such commerce in any section or community," or tend to create a monopoly. It was provided that this prohibition was not intended to prevent corporations from holding stock merely for investment purposes where its voting power is not used to lessen competition nor is it designed to prevent them from forming legitimate subsidiary corporations. The Act provided that after two years from its passage no person should at the same time be a director or employee of more than one bank or trust company which has deposits, capital, surplus and undivided profits aggregating more than five million dollars and that no person should be a director at the same time in any two or more corporations engaged in commerce, any one of which has a capital, etc., aggregating more than one million dollars. It provided that, after two years, no common carrier should deal in the securities, supplies, etc., to the amount of fifty thousand dollars, in any one year, of any other corporation, when the common carrier had as one of its officials or its agent in the particular transaction concerned, any person who was an officer or agent, or had a substantial interest in, the corporation with which the business was done—unless the contract was awarded through competitive bidding under the rules laid down by the Interstate Commerce Commission.

The Act further provides that any person injured in his business or property by reason of anything forbidden in the anti-trust laws might sue in a District Court of the United States for three-fold damages and costs. A decree rendered against a defendant in a suit brought by the United States under the anti-trust laws is to be considered as *prima facie* evidence in any suit brought by any other party against the defendant and the statute of limitations is not to run against any private right of action under the anti-trust laws during the pendency of a Federal suit. The Act provides that whenever a corporation violates any of the penal provisions of the anti-trust laws, such violation will also be deemed to be that of the individual directors, officers, or agents who had authorized or done the violating acts under a penalty of \$5,000 and imprisonment up to one year, or both. Any person is entitled to sue in the Federal Courts for injunctive relief against threatened, immediate, and irreparable loss or damage by a violation of the anti-trust laws. Injunctions to be granted by a Federal judge in any labour dispute are limited. This last provision (section 20), together with section 6, contained the exemption of labour which had been refused under Court interpretations of the Sherman Act.

A strict construction of the Clayton Act (section 7) would have prevented most future mergers in the United States but for the saving clause that "nothing contained in this section shall be held to affect or impair any right heretofore legally acquired."

The *Federal Trade Commission Act, September 26, 1914*, created a Federal commission to prevent persons, partnerships, or corporations, excepting banks and common carriers subject to the acts which regulate commerce, from using unfair methods of competition in interstate or foreign commerce. This commission, entitled the Federal Trade Commission, is composed of five members appointed by the President, and is empowered to conduct hearings in any city of the United States. If unfair methods of competition are shown the commission is empowered to direct the offenders to cease and desist therefrom, and may apply to the United States Circuit Court of Appeals for the enforcement of its orders. The commission is also empowered to enforce compliance with certain sections of the Clayton Act; to conduct investigations into business practices and management; to investigate the enforcement of decrees under the Sherman Act, and to investigate and report to Congress on foreign trade combinations. A maximum penalty of imprisonment for six months, a fine of \$1,000, or both, is provided for refusal to testify before the commission, falsification of evidence, or failure to submit required reports. The Federal Trade Commission was invested with the powers previously held by the Bureau of Corporations as well as with additional powers of a quasi-judicial character. Among these the following are most notable:—

- (a) Authority to require corporations to make annual reports or special reports in such form as the Federal Trade Commission shall prescribe;
- (b) The general power to investigate corporations;
- (c) Authority, under the direction of the President or one of the Houses of Congress, to investigate and report concerning any alleged violations of the anti-trust laws by any corporation;
- (d) Authority to investigate trade conditions in other countries with reference to combinations or other conditions affecting the foreign trade of the United States;
- (e) Authority to make recommendations to the Attorney-General for the readjustment of any corporation found to be violating the anti-trust laws;

- (f) Authority to investigate the manner in which any court decrees restraining corporations from violating the anti-trust laws are being carried out;
- (g) Authority to make public such portions of the information obtained in investigations as it shall deem expedient, with the exception of trade secrets and names of customers.

With regard to the quasi-judicial functions of the Federal Trade Commission, it has authority to enforce the provisions of the Act relative to unfair competition and the provisions of the Clayton Act relating to price discrimination, tying contracts, holding companies, and interlocking directorates in the case of all corporations coming under its jurisdiction.

The *Export Trade Act, 1918* (the Webb-Pomerene Law) constitutes the first departure from the principle and aim of anti-trust legislation as previously known in the United States. This Act permits associations for the purpose of foreign trade, such as would be illegal in internal trade. The Act provides that such associations as are engaged exclusively in foreign trade are bound to register with the Federal Trade Commission and to deposit copies of all agreements dealing with its constitution, a statement showing its principal place of business, together with the name and addresses of its officials and participant members. These particulars are examined in order to assure that:—

- (a) The association has been constituted exclusively for exporting from the United States and that it continues to devote its activities exclusively to exporting;
- (b) It does not artificially raise or lower internal prices;
- (c) It abstains from unfair competition against United States competitors;
- (d) It does not take any measures calculated to diminish, in any real sense, free competition in the United States.

Every registered association is bound to furnish, if required by the Federal Trade Commission, all information with regard to its organization, conduct, business methods, management, and relations with other associations or persons. If the Commission has reason to assume an infringement of the Act it is its duty to examine the association in question, and if an offence is detected the Commission is called upon to make definite proposals to the association as to how such violation is to be remedied. If the association does not then adopt its proposals the Commission is called upon to forward its findings and proposals to the Attorney-General, who may take such steps as appear to him to be necessary.

The next legislation bearing upon trusts and combines was the *Packers and Stockyards Act, August 15, 1921*, which provided for the regulation of interstate and foreign commerce in live stock, live stock products, dairy products, poultry, poultry products, and eggs.

The final step before the National Industrial Recovery Act was the *Capper-Volstead Act of February 18, 1922*. This statute provides "that persons engaged in the production of agricultural products as farmers, planters, ranchmen, dairy-men, nut or fruit growers may act together in associations, corporations, or otherwise with or without capital stock in collectively processing, preparing for market, handling, and marketing in interstate and foreign commerce such products of persons so engaged. Such associations may have marketing agencies in common; and such associations and their members may make the necessary contracts and agreements to effect such purposes." Here again the principle of free competition is safeguarded by a specific provision that, "if the Secretary of Agriculture shall have reason to believe that any such association monopolizes or restrains trade

in interstate or foreign commerce to such an extent that the price of any agricultural product is unduly enhanced by reason thereon," he shall take evidence, give a hearing, make findings of fact, and if he concludes that the association does monopolize or restrain trade and prices are unduly enhanced thereby, he shall make an order directing the association to cease and desist from such practices.¹

¹SOURCES

- Curtis, R. E.—*The Trusts and Economic Control*; McGraw-Hill Book Company, N.Y., and London, 1931.
- Euler, L. J.—*Manual of Monopolies and Federal Anti-Trust Laws*; Callaghan and Company, Chicago, 1929.
- Foreign Law Series—*Trade Combinations in U.S.A., France, Germany, Poland*; Paris, 1932.
- Jenks, J. W., and Clark, W. E.—*The Trust Problem*; Doubleday, Doran Company, N.Y., 1929.
- League of Nations, Economic and Financial Section—*Review of Legislation on Cartels and Trusts*; Lemmers, C.; Geneva, 1927.
- League of Nations, Economic and Financial Section—*Review of the Legal Aspects of Industrial Agreements*; Decugis, H., Olds, R. E., Tschierschky, S.; Geneva, 1930.
- League of Nations, Economic and Financial Section—*Review of the New Legislation Concerning Economic Agreements (Cartels, etc.) in Germany and Hungary*; Tschierschky, S.; Geneva, 1932.
- National Industrial Conference Board—*Rationalization of German Industry*, N.Y., 1931.
- Sanderson, W. A.—*Restraint of Trade in English Law*; Sweet and Maxwell, Limited, London, 1926.
- Seager, H. R., and Gulick, C. A.—*Trust and Corporation Problems*; Harper and Brothers, N.Y., and London, 1929.
- United States, Department of Commerce, Bureau of Corporations—*Trust Laws and Unfair Competition*; Davies, J. E.; Government Printing Office, Washington, 1916.
- United States, Bureau of Foreign and Domestic Commerce—*Special Circular No. 285: New German Cartel Policy*; Domeratzky, L.; Washington, October 28, 1933.

ANNEX VIII

Supplementary to Chapter IX

COMBINES INVESTIGATION ACT

PART I—AMENDMENTS PROPOSED BY THE CANADIAN MANUFACTURERS' ASSOCIATION, INC.

It is suggested that the following amendments to the Act might be given consideration:—

1. The transference of the administration of the Act from the Department of Labour to the Department of Trade and Commerce.

The reason for this, it is submitted, is obvious. The Act deals primarily with merchandising and thus comes naturally within the jurisdiction of the Department of Trade and Commerce rather than of the Department of Labour. The fact is that it is largely an accident that its administration has been entrusted to the Department of Labour, and there is no good reason for not transferring it to the Department of Trade and Commerce, where, as has been suggested, it really belongs.

2. The deletion of the words "or are likely to operate" after the words "have operated" in the third line of Section 2 (a) of the Act.

With these words deleted, the subsection would read as follows:—

"The expression 'combine' in this Act shall be deemed to have reference to such combines immediately thereafter defined as have operated to the detriment of or against the interest of the public whether consumers, producers or others, etc., etc."

The main argument in favour of this proposal is that, while it may be perfectly possible and proper for a judge or jury to decide that a certain combination has operated to the detriment of the public, it is quite improper to ask or allow any judge or jury to speculate or guess as to the way in which the public will be affected in the future by a certain combination, which is precisely what the present law does. The most that should be asked is that the judge or jury should decide in the light of the facts proved, whether the particular trade arrangement in question has in fact operated to the detriment of the public.

3. That the following words be added to Section 4:—

"Nor to combinations of employers, producers, distributors or others for the reasonable prevention of unfair practices."

The Section will then read as follows:—

"Nothing in this Act shall be construed to apply to combinations of workmen or employees for their own reasonable protection as such workmen or employees, nor to combinations of employers, producers, distributors or others for the reasonable prevention of unfair practices."

4. That the Registrar should not be allowed to proceed with investigations except on the authority of an Order in Council, on the recommendation of the Minister.

At present, the Registrar may proceed with investigations with or without the approval of the Minister. In such an important matter, proceedings should not be commenced without the approval of the Government.

5. As an alternative to the only procedure which the Act at present provides in a case where the practices complained of are found to be objectionable, i.e., prosecution, it is suggested that a section to the following effect might well be inserted:—

In case the Minister decides upon the report of the Registrar made after investigation, that the public interest may be served by issuing an order to the parties against whom the complaint has been made to cease and desist from the practice complained of and to file a report within three months showing the manner in which the order to cease and desist has been complied with, the Minister shall be empowered to make such order, and to vary, cancel or revoke it.

Under the Act as it stands at present when once investigation has disclosed what appears to the Registrar to constitute a breach of the Act, there is no procedure provided for except prosecution; but there are cases where the degree of guilt and the extent of injury to the public are so slight that a prosecution is not warranted. All that is required is that the practice in question should be discontinued. In such cases, the provision suggested above would provide a convenient and, it is submitted, an adequate method of procedure.

If it is objected that such a procedure would be tantamount to "finding guilty" without a full trial, the answer is that if the parties complained against preferred that the investigation should proceed, that course could be followed.

The above report was submitted to a joint meeting of the Legislation Committee and the Industrial Relations Committee of the Canadian Manufacturers' Association (Inc.) duly authorized on February 9th, 1934, and unanimously adopted.

CANADIAN MANUFACTURERS' ASSOCIATION (INC.),

L. L. ANTHERS, President

J. E. WALSH, General Manager.

Toronto, February 9th, 1934.

PART 2—COMMENTS ON AMENDMENTS PROPOSED BY CANADIAN MANUFACTURERS' ASSOCIATION

The following memorandum has been prepared in response to a request for comment on certain proposals which the President and General Manager of the Canadian Manufacturers' Association submitted on February 20, 1934, to Hon. H. H. Stevens, then Minister of Trade and Commerce.

The Association's letter refers to the drastic way in which the Combines Investigation Act "limits the right to combine in the field of commerce" and expresses the considered view "that the best interests of the country would be served by the entire cancellation of the Combines Investigation Act."

No remarks are made in this memorandum on the suggestion that the Act should be repealed, since the possibility of its repeal does not appear to be considered seriously in the proposals of the Canadian Manufacturers' Association and since I understand the Commission does not contemplate recommending repeal. Comment is made, however, on the statement that the Act drastically limits the right to combine.

The Canadian Manufacturers' Association suggests, as an alternative to repeal of the Combines Act "if this should not be deemed practicable," that certain amendments should be made which "are in our opinion urgently required in the interests not only of manufacturers but of the public at large." Detailed comment on each of the proposals is made below.

No objection is raised by the Canadian Manufacturers' Association to Section 498 of the Criminal Code. The letter reaffirms the Association's contention, which was put forward when the Combines Act was passed in 1923, "that the Criminal Code provides ample safeguard as far as the public is concerned." It might be noted here that, although these two enactments are much the same in the offences they create, they differ in one important respect, that the Act provides for special government measures to see to its enforcement, whereas no such provision is made for the enforcement of Section 498 of the Criminal Code.

Right of Combination.—While Canadian combines legislation makes no affirmative statement of the policies and practices which trade and industrial combinations may pursue, there is unquestionable right to combine and, in combination, to carry out any course of action which is not injurious to the public. The present Combines Investigation Act makes this clear, by providing in its definition clause against those combinations, and those only,

"which have operated or are likely to operate to the detriment or against the interest of the public, whether consumers, producers or others."

The section refers further to monopolies and mergers and to agreements which have such effects limiting production, fixing common or resale prices, enhancing prices or lessening competition; but there is no offence, and the statute could not be clearer on this point, unless the combination or monopoly has operated or is likely to operate against the public interest. In the penalty clause (section 32) it is declared that

"every one is guilty . . . who is a party or privy to or knowingly assists in the formation or operation of a combine *within the meaning of the Act.*"

Reference to the debates in Parliament in 1923, when the present legislation was enacted, shows that the Prime Minister of that day emphasized that no limits were being placed on the freedom of association, pointing out that

"The legislation does not seek in any way to restrict just combinations or agreements between business and industrial houses and firms, but it seeks to protect the public against the possible ill-effects of these combinations."

(*Hansard*, May 7, 1923, p. 2520)

Hon. H. H. Stevens emphasized the same distinction in an answer which he made in Parliament on May 19, 1933:—

"I would point out that there is a definite legal interpretation of the word 'combine' . . . In the Combines Investigation Act a combine exists where there is a combination of business interests in restraint of trade to the detriment of the community as a whole, or affecting other persons."

(*Hansard*, p. 5225)

This distinction between combinations which are socially desirable and those which are not has been made in all our Canadian legislation on the subject. The Act of 1889, which now appears as Section 498 of the Criminal Code, does not provide against all trade combinations and agreements but only against agreements to lessen production unduly, to enhance prices unreasonably or to prevent or lessen competition unduly. Similarly the Combines Investigation Act of 1910 applied only to those agreements or combinations which were "to the detriment of consumers or producers of such articles of trade or commerce."

The Combines and Fair Prices Act of 1919 was designed to prevent those combinations, and those only, which

“have, in the opinion of the Board of Commerce of Canada (or of a single member thereof acting under authority of and for the purposes of section eight of this Act) operated, or are likely to operate, to the detriment of or against the interest of the public, consumers, producers or others.”

Canadian courts also, in dealing with cases under this legislation, have applied it as designed to prevent only such combinations as are publicly injurious or dangerous. The comment of Mr. Justice Mignault in the *Stinson-Reeb* case in 1929 is typical:—

“What is the true test was laid down by this Court in *Weidman v. Shragge* as above stated. Injury to the public by the hindering or suppressing of free competition, notwithstanding any advantage which may accrue to the business interests of the members of the combine, is what brings an agreement or a combination under the ban of Section 498 Cr. C.”

1929 Can. S.C.R. 280.

Mr. Justice Garrow, in *Rex v. Famous Players* (1932), stated:—

“Our statute is broad enough in its terms—I refer to the Combines Act—but an essential requirement as to all combines within the Act is that they operate or tend to operate to the detriment of the public whether consumers, producers or others.”

1932 O.R. 344.

In the administration of the Combines Investigation Act there has never been any thought of condemning combination per se. The Department has refrained from interference unless public interests have appeared to be prejudiced or threatened. The essential test applied in all investigations has been, not whether a combination or agreement exists (such information is usually secured without difficulty) but whether the public has been injured or endangered by the combination through such practices as restricting production, fixing or enhancing prices or lessening competition.

It would probably suit the purposes of members of some combinations to have the impression created that the Combines Investigation Act is opposed to the whole idea of combination or that it is being administered in such a way as to prevent business men from getting together for perfectly normal and lawful purposes, in the interests of the public and of industry alike. The fact that we have in Canada hundreds of trade associations and trade agreements which have never been questioned under the Combines Investigation Act is sufficient answer to this claim. Particular care has been taken to ensure that no investigation shall proceed unless there are reasonable grounds for believing that the interests of the public are affected. When investigations are made they are usually conducted in private; and when they are completed adverse reports are made only when public interests are found to be injured or endangered. Those which have been condemned following investigations have been few in number. Of the sixteen principal investigations since 1923, eleven have resulted in findings of combine. In the cases which have been referred to the courts the findings of the original investigations have been confirmed with but one exception.

1. *Proposed transference of administration of the Combines Act to Department of Trade and Commerce.*

This suggestion has been made by a number of business groups besides the Canadian Manufacturers' Association, notably the Retail Merchants' Association, the Canadian Plumbing and Heating Institute, the Canadian Pharma-

ceutical Association, and by members of other combinations which have been investigated under the Combines Investigation Act. The proposal seems to have been born of the hope that more favourable treatment would be given to business groups by a department which was established primarily for the general service of trade and industry.

When it comes to a matter of deciding whether special groups have been profiting unfairly at the expense of other interests in the community, as might be charged under the Combines Act, the decision should not rest with the very departments which have been established to serve the general interests of these groups. Between such departments and such groups friendly co-operation should be maintained, in the public interest. It would be fair neither to the department nor to third parties such as consumers or primary producers to have decisions under this Act made by a department so closely associated with the group complained against.

It was doubtless with this consideration in mind that the Federal Trade Commission in the United States was established in 1914 as entirely separate from the Department of Commerce, and that the latter department has not been charged with the administration of the Sherman anti-trust law. When the Combines Investigation Act was passed in 1910 and when the present Act was passed in 1923 general administration of the legislation was entrusted to the Minister of Labour. When the Combines and Fair Prices Act was passed in 1919 it was not assigned to any existing department of government, but was placed under an independent body, the Board of Commerce, which reported to the Governor in Council through the Prime Minister. Such a course would seem to have been a proper one where quasi-judicial functions were to be performed by an administrative tribunal.

2. Proposed deletion of words "*likely to operate*" from definition of a combine

Combinations which are *likely to operate* to the detriment of the public, as well as those which have actually so operated, are prohibited under the Combines Investigation Act. The Canadian Manufacturers' Association asks that the words "*likely to operate*" be eliminated.

Assuming the law were so changed, then an agreement to enhance prices unreasonably would be condemned only if it had fully attained this object. If the same thing were attempted, or if an organization were established showing clear indication of impending injury to the public, actual damage would have to be done, and evidence of this damage secured, before any action could be taken under the Combines Act. Experience in investigational work of this type has shown how difficult it is and how long it takes to deal adequately with such evidence. If it is a matter of determining whether prices are unreasonable or not, the Government would have to ascertain the costs of the articles affected, a task which is difficult, time-consuming, and very expensive. If many companies were involved, costs of all would have to be determined, and in many industries a wide differential would be found between the costs of the least efficient and the most efficient operators. Questions as to comparative qualities would properly be introduced. If only certain articles were included in the agreement, the problem of the proper allocation of overhead costs to each item would have to be dealt with. Endless argument would ensue as to the meaning of cost, whether the basis should be original cost or replacement cost, what items of expenditure should properly be included, what allowances for depreciation and obsolescence, what salaries and bonuses. In the end, opinions of government and company accountants as to actual costs might differ widely. Even if there were agreement, the only costs known would be those of a given period, and with the constant fluctuations in cost which occur in many industries it would be difficult or impossible to reach satisfactory conclusions as to the fairness or unfairness of the selling prices agreed upon.

Assuming, again, that costs could be satisfactorily determined and reasonable profits could be defined, it cannot be conceded that actual costs plus reasonable profits equal fair prices. Costs may include many items of expenditure, unnecessary or excessive, which would be eliminated or reduced if the pressure of price competition were maintained. In the absence of price competition, other types of competition develop, such as that in service and sales effort, which tend to increase costs and prices rather than reduce them.

It has been suggested that the Combines Investigation Act should be used more freely to prevent the establishment of mergers and certain undesirable trade practices of mergers and quasi-monopolies after they have been established. If the "likely to operate" provision were removed, no action could be taken until after a merger had actually been completed and had wrought damage which could be proved in the courts.

A study made in the United States by the National Industrial Conference Board comments as follows on this aspect of the problem:—

"The protection from economic oppression which the anti-trust law was designed to afford would be of little practical value if the penalties of the law could not be invoked until competition in the market had been completely destroyed. In the nature of things, moreover, it would not be possible in any of these ways [attacks upon would-be competitors, agreements among competitors, absorption of competitors in mergers] to assure more than a temporary control of the market. But the applicability of the anti-trust law is not contingent upon even a temporary condition of dominance in the market. It suffices that a scheme be adopted which, when put into execution, will have a *necessary tendency* in that direction. Economic law may be relied upon *eventually* to release society from any wilful device of economic oppression. But it is the very *raison d'être* of this statutory rule to provide a clearer warning and a quicker remedy against the invasions of private rights and public interests in the business sphere."¹

It is not uncommon in criminal legislation to provide against dangerous probabilities and even against dangerous possibilities. Section 499 of the Criminal Code makes it a criminal offence to break a contract if the person knows or has reasonable cause to believe that the *probable consequences* of his so doing will be injury to other persons or property. The carrying of a concealed weapon may be an offence, the pointing of any firearm or airgun whether it is loaded or unloaded, the adulteration of foods even though injury to health may not be proved, the attempt to commit an offence whether damage results or not, being intoxicated while in charge of a motor car whether it is in motion or not and whether anyone is injured or not. And in the field of restraint of trade, section 498 of the Criminal Code, of which the Canadian Manufacturers' Association has expressed approval, legislates similarly against dangerous probabilities. It makes no reference to public injury resulting from agreements of a certain type; it condemns the agreements themselves whether damage results or not. What it says is this:—

"Every one is guilty of an indictable offence . . . who conspires, combines, agrees or arranges with any other person . . .

(a) to unduly limit facilities, . . .

(c) to unduly lessen manufacture, . . . or to unreasonably enhance prices,

(d) to unduly lessen competition," etc.

¹National Industrial Conference Board, New York, "Mergers and the Law" (1929), p. 134.

The 1910 and 1919 legislation had provisions with similar effect. The Combines Investigation Act of 1910 provided against any arrangement

"which has, or is designed to have, the effect of increasing or fixing the price . . . or . . . restricting competition . . . to the detriment of consumers or producers".

In the Combines and Fair Prices Act of 1919 the definition of a combine was briefly as follows:—

"The expression 'combine' . . . shall be deemed to have reference only to such combines . . . as . . . have, in the opinion of the Board of Commerce of Canada . . . operated, or are likely to operate, to the detriment or against the interest of the public, consumers, producers or others, and, limited as aforesaid, the said expression as used in this Act shall be deemed to include,—(a) mergers," etc.

The only comment made in Parliament on this phrase when the 1919 bill was discussed was offered by Mr. Meighen in answering an inquiry when he said:

"there may be evidence that the purpose of a certain act, or even a certain combination itself, is to operate against the public interest, which may be set out, for example, in communications that pass between the various bodies that are about to combine, and though no harm may yet be done there may be ample evidence that harm is intended and the board is empowered to anticipate and prevent such harm."¹

Thus the object to be served was the anticipation and prevention of public injury.

No discussion of any extent arose on this point when the 1923 bill was before Parliament. The substitution of the words "about to operate" was suggested but was rejected as having substantially the same meaning.

Reported court interpretation of the words "likely to operate" as used in the Combines Investigation Act has not been exhaustive. In *The King v. White*, Mr. Justice Sedgewick in his charge to the jury on April 1, 1932, stated:

"It seems to me that . . . the words 'have operated' apply to a person referred to in s. 32 as one who has been party or privy to or assisted in the operation of a combine; while the words 'are likely to operate'—combines which are likely to operate to the detriment or against the interest of the public—apply to a person who has been a party or privy to or assisted in the formation of a combine."

In *The King v. Canadian Import Co.*, Mr. Justice Laliberte in his judgment of December 12, 1933, included the following observations on the same subject:

"Under both these laws (the Combines Investigation Act and Criminal Code, section 498), the evil results attained seem to replace the intention. When the combinations or agreements were not operated to have and do not have the specified results, it is essential that it be proved that they were designed to have that effect and to be against the public interest. In fact they do have that effect when the agreements themselves are such by their nature and content that their inevitable and necessary consequence must be to unduly prevent or lessen trade, etc., within the meaning of the statutes."

One thing may be taken for granted, as far as Canadian courts are concerned, convictions will not be registered under the "likely to operate" provision unless there is substantial proof of probable injury to the public. The following quotation from the judgment of a United States court in a case under the Clayton Act expresses what may be taken as the certain attitude of the Canadian judiciary on this point:

¹Hansard, July 4, 1919, p. 4567.

"In applying the statute it must be judicially determined what the effect may be. This judgment must be more than a mere feeling of 'possibility' arising in ignorance of facts which, if known, would destroy that feeling. It must be based on knowledge and upon a reasonable belief that, in view of existing facts, there is a 'dangerous probability'."¹

It is submitted that no sound reason has been shown why the Combines Investigation Act should be weakened in this respect, why its preventive influence should be impaired, or why the statute should be rendered less stringent than Section 498 of the Criminal Code. The provision has not operated unfairly, and, it might be added, is not likely to operate unfairly, to any business interests affected by the legislation.

3. Proposed specific exemption of combinations of employers, producers, distributors or others for the reasonable prevention of unfair practices.

The Combines Investigation Act, in section 4, makes the following provision regarding labour unions:

"Nothing in this Act shall be construed to apply to combinations of workmen or employees for their own reasonable protection as such workmen or employees."

An identical provision has been included in Section 498 of the Criminal Code since 1900. A clause to the same effect appeared in the Combines and Fair Prices Act of 1919. The Combines Investigation Act of 1910 included no such express provision, but declared that the protection given by the Trade Unions Act to registered unions would not be disturbed.

The Canadian Manufacturers Association now suggests the addition of the following words at the end of section 4 of the Combines Act:

"nor to combinations of employers, producers, distributors or others for the reasonable prevention of unfair practices."

To appreciate the significance of this proposed addition the general purpose of the Combines Act should be borne in mind, and the reason for the inclusion of section 4 as it now stands. The Act was designed to prevent business interests, engaged in the making or buying and selling of goods, from taking to themselves, through combination, such control of production and prices as would unduly lessen or eliminate the bargaining power of other interests in the community. It dealt primarily with relations between buyers and sellers. It was not designed to deal with relations between employers and employees, which is a matter taken care of by other legislation. This seems to be clear enough in the definition of a combine, but to make it doubly clear Parliament inserted a clause stating specifically that "nothing in this Act shall be construed to apply to combinations of workmen or employees for their own reasonable protection as such workmen or employees." Had there been any need of making this provision apply also to employers, as employers, no doubt Parliament would have agreed. If unfair advantage appeared to be given to employees as against employers and it appeared necessary to effect a balancing of interests, extending to employers whatever exemption may be granted to employees by section 4, the appropriate addition would have been to the following effect:

"nor to combinations of employers for their own reasonable protection as employers."

¹Standard Fashion Co. v. Magrane Houston Co., Federal Trade Commission Statutes and Decisions, 1914-1929, p. 851.

This, of course, is not what is suggested by the proposed amendment. It mentions employers, but not employers acting only in their employing capacity; it includes producers, distributors and others, but makes no reference to their relations with employees. Instead it deals with the prevention of unfair practices, such as might develop between several traders or several manufacturers. Under the Combines Investigation Act there is no objection to the reasonable prevention of unfair practices, but the place to say it in the Act is not in the section which deals with relations between employers and employees, but in the main section which describes the type of combination against which the legislation is directed. And there it is said. It is true it does not say what may be done; that is not the function or method of criminal legislation. If the statute were to include all the things that may be done, the list would be a long one, and in the end the result would be far from satisfactory to those who propose the present amendment. What the Act does say is that those combinations, and those only, which have operated or are likely to operate against the public interest should be suppressed.

Frequently there is substantial disagreement regarding the fairness or unfairness of a particular practice, disagreement between the business concerns themselves and between the members of a combination and other interests in the community. It may well be that certain practices which a combination regards as unfair should not, in the public interest, be prevented by a combination of the majority of manufacturers or dealers affected. The breaking of an agreement to maintain prices at high levels might be regarded as unfair by the members of a combination, but the courts, considering the interests of others outside the particular industry or trade, might conclude that the public was detrimentally affected by the agreement. Where the prevention of certain unfair practices is in the public interest a combination formed for the purpose of preventing them could not on that account be condemned under the Combines Investigation Act in its present form.

4. *Proposal that the Registrar should not be allowed to proceed with investigations except on the authority of an Order in Council, on the recommendation of the Minister.*

Section 12 of the Act provides that whenever six persons make an application which complies with the requirements of the Act, the Registrar shall cause such inquiry to be made as he shall consider necessary. He shall cause inquiry to be made also whenever he "shall have reason to believe that a combine exists or is being formed, or whenever so directed by the Minister."

The principal object of this provision was to ensure that if responsible citizens complained of the existence of a combine, investigation would be made. It is not required that all investigations shall be of an extensive or formal nature: the Registrar is called upon to make such investigation as he deems the circumstances warrant. As a matter of fact, of some four hundred cases which have been dealt with under the Act many have been of relatively minor importance and have been disposed of quickly. A limited preliminary inquiry has usually been sufficient to determine that no contravention of the Act had occurred. If the right to initiate such inquiries were curtailed or if investigations were delayed, as would be inevitable if inquiry could not proceed without the authority of an Order in Council, suspicions of unjustified political interference might readily arise in the public mind.

5. *Proposal that as an alternative to prosecution the Minister may issue orders to cease and desist.*

The submission of the Canadian Manufacturers' Association on this subject is for the inclusion of a section in the Combines Act to the following effect:

"In case the Minister decides upon the report of the Registrar made after investigation, that the public interest may be served by issuing an order to the parties against whom the complaint has been made to cease and desist from the practice complained of and to file a report within three months showing the manner in which the order to cease and desist has been complied with, the Minister shall be empowered to make such order, and to vary, cancel or revoke it."

Provision to this effect was made in the Combines and Fair Prices Act of 1919, and it would appear that this was one of the principal grounds on which that legislation was held to be *ultra vires*. Sir Lyman Duff emphasized the difference between the 1919 Act and the present Combines Investigation Act in the following passage in his reasons for judgment in *Re Combines Investigation Act and S. 498 of the Criminal Code*:

"An attempt was made on the argument to bring this statute [the Combines Investigation Act] under the decision of the Privy Council in relation to the Combines and Fair Prices Act, 1919. There is no doubt that parts of the present statute are taken from the earlier Act, but the provisions of the earlier Act which gave character to that Act have disappeared.

"The former statute in its substantive enactments on the subject of combines, conferred upon the Board of Commerce, a Board created by Dominion legislation, composed of persons named by the Dominion Government, the authority and the duty to inquire into the existence of combines and plans for the formation of combines, and to suppress, by order of the Board, the combines themselves, and practices associated with combines, in so far as the Board might think it right and in the public interest to do so. The present Act gives no such power of regulation."

(1929) 2 D.L.R. 802 at 809-810.

It would seem therefore that the only way in which the Dominion could exercise such power would be to have the British North America Act changed or to secure enabling legislation from the provinces.

Assuming, however, that the constitutional obstacle were removed, the question remains whether the adoption of the proposed amendment would be in the public interest. If the legislation were dealing merely with certain types of unfair competition in which the public interest was not seriously affected or endangered, such a method of securing compliance with the law would have many advantages over the method of prosecution. Moreover in some exceptional instances of combination in violation of the present Act quicker results might be obtained, in the particular case, and so long as this method were not adopted as the general practice the public interest might be adequately protected. The danger would be, however, that although the one case would be more quickly disposed of, the number of violations of the Act would be almost certain to increase to an alarming extent. This result would surely follow if members of combinations were given reason to believe that the only thing that would happen in the event of an illegal combine being discovered would be an order to cease and desist. The restraining or preventive effect of the law as it is at present would be seriously impaired.

To provide for the exceptional case in which the cease and desist method could be employed to public advantage, there is no occasion for amendment of

the legislation. Under section 31 of the Act it is left to the discretion of the Minister whether a case shall be sent or not to the Attorney General of the province for prosecution. In the case of the Proprietary Articles Trade Association a commissioner reported against the combination, which immediately ceased operations. Further action by the Minister was postponed until the courts pronounced judgment on the validity of the Act. When the Act was declared *intra vires* the Association disbanded and the Minister decided that prosecution was not necessary in the public interest. Had the Association continued operations, prosecution proceedings would undoubtedly have been taken. A few other cases of much less importance have been disposed of in a similar manner, but this method, which is not specifically provided for in the Act, has been used only in the exceptional case. Were it stipulated in the Act as an alternative it might easily become the method generally employed, with the unfortunate results above indicated.

ANNEX IX

Supplementary to Chapters VII and IX

MEMORANDUM ON THE USE OF TAXATION AS A METHOD OF REGULATION

By The Hon. H. H. Stevens

PART 1.—*Effect of Consolidated Taxation of Corporations on:*

- (a) The Taxation Revenue.
- (b) Competitors.
- (c) Taxpayers' Rights.

1. In other parts of this Report, a fairly complete examination has been made of the effect of "mass buying" upon independent merchants, industrialists, and workers. It has also been demonstrated that the mass buying system has, to a large degree, developed as the concentration of capital in industry became more definite, and the influence of the mass buyer of the large corporation upon the industrialist and independent merchants has been amply illustrated. No reference has been made, however, to the diminution of the amount of taxes paid by these corporations, due to their system of setting off losses in certain units against gains in other units, and being taxed only on the net result, and to the effect of these operations upon the interests of the taxpayer. In other words, the organization operating a number of units is permitted to wash out the losses of the less profitable parts of the business with the winnings of the more successful units, thus escaping the payment of taxes which his independent single unit competitor is compelled to pay. This system is unfair to the independent merchant who is competing with the multiple unit corporation.

In this Annex, therefore, it is intended to analyse this phase of the subject.

2. This escape from federal taxation by certain large multiple organizations takes two forms:—

- (a) Under the Income Tax Law, by the washing out of losses in one part from gains in others, and
- (b) By the reduction of the legitimate amount of sales tax that should be paid through paying the per cent sales tax on invoice prices, reduced by excessive discounts.

3. In order to appreciate the points indicated in the two preceding paragraphs, it must be borne in mind that the organizations that secure this advantage in taxation, are those which operate multiple concerns, such as the three large department stores:—

- (a) The T. Eaton Company
- (b) Simpsons Limited
- (c) The Hudson Bay Company,

and the Chain Store Organizations with their numerous individual units (this will include virtually the full list of chain stores). It is most noticeable in those large chain stores such as The Atlantic and Pacific Tea Company and the Dominion Stores, but is not necessarily limited to these two. Also the Milling Companies, Chain Bakeries, Canning Corporations and Packing Companies, would be included.

4. *Department Stores.*—We will first take the T. Eaton Company. This organization has grown from a very small beginning to its present enormous

dimensions. For our immediate purpose, it will suffice to indicate its main ramifications, as set forth on page 3053 of the evidence of the Committee as follows:—

The business of the Eaton organization is carried on in the following places of business—

Thirteen large department stores located at:—

Halifax	Hamilton	Moose Jaw
Moncton	Winnipeg	Edmonton
Montreal	Regina	Calgary
Toronto (3)	Saskatoon	

Five mail order distributing sections located at:—

Moncton	Winnipeg	Edmonton
Toronto	Regina	

Thirty-two smaller department stores, selling general merchandise known as the C.D.S. Stores and the Teco Stores—

Nova Scotia.....	4	Manitoba.	1
New Brunswick.....	1	Alberta.	3
Quebec.	1	Ontario.	22

Fifty-seven grocerias, not including 15 located in other stores.

Prince Edward Island....	2	Ontario.	25
Nova Scotia.....	15	Manitoba.	3
New Brunswick.....	7	Saskatchewan.	3
Quebec.	2		

Forty separate mail order offices, 39 in Ontario and 1 in Quebec, not including 72 located in other stores or grocerias.

Seven factories located in:—

Saint John	Toronto (2)	Hamilton
Montreal	Guelph	Winnipeg

Three creameries located in:—

Manitoba (2)	Saskatchewan
--------------	--------------

Four warehouses located in:—

Toronto	Halifax
Manchester, Eng.	Ontario (C.D.S.)

Nine buying offices located in:—

Montreal	Berlin, Germany	Ireland
England (3)	New York	Paris, France
Switzerland		

There are also ten companies which are not of a merchandising nature. In all, they have 170 separate places of business, including mail order offices, warehouses and buying offices. The organization has branches in every province of the Dominion of Canada, except British Columbia, where mail order business only is solicited through other branches.

5. A detailed analysis of the operation of this huge multiple concern, as set forth in the Evidence of the Commission and Committee, is available for study. It might be pointed out, however, in a general way, that the company in recent years has lost money on its stores in Regina, Saskatoon, Moose Jaw, Calgary and Edmonton, on the College street disadventure, the Canadian Department Store System and Teco Stores (numbering 32 stores), 31 Grocerias located in Ontario, and its 7 factories. In some of these instances, the losses have been quite consistent in recent years. These losses, however, have in some years offset the profit of some of the larger outlets. These will be examined below.

6. The table on page 487 indicates the Profits and Losses of the T. Eaton Company, Limited, for the nine year period, 1926 to 1934. In this statement, we have segregated the profits of the four largest operating units; namely, The Toronto Mail Order Section, the Toronto Stores, the Winnipeg Store, and the Winnipeg Mail Order Section. The second item of this table, namely, the profits from the four largest operating units is deducted from the profits of the T. Eaton Company Limited, and the remainder indicates the net profits or losses of the rest of the units included in the T. Eaton Company, Limited (which includes 98 order taking offices). These remaining units, however, numbering 156, comprise many that are unprofitable, and which are washed out in the section of this great organization which is known as the T. Eaton Company, Limited. It must, however, be borne in mind that in addition to these there are eleven separate companies not included in what is known as the T. Eaton Company, but which enter into the Consolidated Balance Sheet for taxation purposes.

The analysis in the table following will show that the total profits for the nine years for the T. Eaton Company, Limited, was \$39,326,000, exclusive of subsidiaries. The total profits, however, for the four largest operating units amounted to \$34,698,000, leaving \$4,628,000 net profits for nine years remaining to cover the 58 units included in the T. Eaton Company, Limited. Of these, quite a number lost money, such as the Toronto Factories, which showed losses amounting to \$354,000 for the years 1930 to 1933, inclusive, and the Ontario Groceries which showed losses of \$375,000 from 1927 to 1933, inclusive. The loss of these two organizations and other individual units (including Toronto stores, \$2,640,000), amounting to \$5,297,000 have, as intimated, been offset by the general figure referred to.

Therefore, when it is realized that the net profits, according to the books of the company on which income tax was presumably paid for this nine year period, amounting to only \$27,360,000, for the whole institution, it will be realized that there is a decided advantage to the company to pay its income tax on a "consolidated Balance Sheet" rather than on a unit basis.

Nevertheless, this will become more apparent when it is realized that among the unprofitable units whose losses have been offset were the Regina, the Saskatoon, the Moose Jaw, the Calgary, and the Edmonton Stores; that is, that in each of these cities these unit department stores of the T. Eaton Company operated in competition with other private enterprises, who operated single unit businesses and who paid full income tax on any profits they might make. This great corporation, however, was enabled to carry on its operations in these cities at losses which, when applied to the profits of the main Toronto store, and the Winnipeg store, and Mail Order, resulted in a diminution in the amount of income tax payable.

The following table gives the situation:—

PROFIT AND LOSSES OF THE T. EATON CO. LIMITED

(in thousands of dollars)

	1926	1927	1928	1929	1930	1931	1932	1933	1934	Total
(a) T. Eaton Co. Ltd. Annual Total.....	7,451	8,331	9,160	8,650	4,524	1,714	-464	-812	772	39,326
(b) Deduct profits of four largest operating units, Toronto M.O.....	1,430	1,319	1,326	767	405	238	73	281	491	—
Toronto Stores (exclusive of Drug Company).....	1,291	2,110	2,704	2,549	1,749	607	-768	-1,297	-569	—
Winnipeg Store.....	886	772	591	740	724	655	429	47	136	—
Winnipeg M.O.....	2,785	2,671	2,652	2,601	1,817	594	378	591	923	—
TOTALS.....	6,392	6,872	7,273	6,657	4,695	2,094	112	-378	981	34,698
(c) Profit or losses on rest of units in T. Eaton Co. Limited ¹	1,059	1,459	1,887	1,993	-171	-380	-576	-434	-209	4,628

¹Rest of Units Include:

Toronto.....	Factory	Port Arthur.....	Store
	Warehouse	Other Western Units.....	4 Teco Stores
Hamilton.....	Store		10 Western Groceries
Ontario.....	31 Groceries		2 Creameries
Winnipeg.....	Factory	Manchester, England.....	Warehouse
Regina.....	Store	Buying Offices.....	1 Montreal
	Mail Order		1 New York
	Creamery		3 England
Saskatoon.....	Store		1 Ireland
Edmonton.....	Store		1 Switzerland
	Mail Order		—
Calgary.....	Store	Total Units (exclusive of 4 largest) 68.	
Moose Jaw.....	Store	Mail Order Offices.....	88

To illustrate the benefits to a corporation in being permitted to lump together the earnings and losses of its various units and pay tax only on the net result, the following examples are given:—

- In the year ended January 30th, 1930, the T. Eaton organization had net profit of \$3,647,000. In arriving at this result, however, there were deducted operating losses on Ontario Groceries, Ontario Teco stores, the stores at Saskatoon, Edmonton, Calgary, Moose Jaw, the Western Teco stores, Western Groceries, and the Moncton store and mail order, which losses amounted to \$808,000.
- In the year ended January 30th, 1931, the Eaton organization as a whole had a net profit of \$3,202,000. In arriving at these figures, however, there were deducted losses on Toronto factory, Ontario Groceries, Ontario Teco stores, Montreal factory, Regina, Saskatoon, Edmonton, Calgary and Moose Jaw stores, and the Western Teco stores, which losses amounted to \$707,000.
- In the year ended January 14th, 1932, the Eaton organization as a whole had a net profit of \$1,112,000. In arriving at this, however, there were deducted operating losses on Toronto stores, Toronto factory, Ontario Groceries, Montreal factory, and stores at Regina, Saskatoon, Edmonton, Calgary and Moose Jaw, which losses amounted to \$1,536,000.
- In the year ended January 12th, 1933, the Eaton organization as a whole had a total net profit of \$737,000. In arriving at this, however, there were deducted operating losses on Toronto stores, Toronto factory, Hamilton store, Ontario Groceries, Teco stores, Montreal factory and stores at Regina, Saskatoon, Edmonton, Calgary and Moose Jaw, which losses amounted to \$1,884,000.

- (c) In the year ended January 11th, 1934, the Eaton organization as a whole had a net profit of \$1,103,000. In arriving at this, however, there were deducted operating losses on the Toronto stores, Toronto factory, Hamilton store, Ontario Groceries, the stores at Regina, Saskatoon, Edmonton, Calgary and Moose Jaw, which losses amounted to \$987,000.

These illustrations serve to demonstrate clearly that, if this great multiple organization had been taxed on a unit basis, the revenues of the country might have benefited to a considerable degree, and independent merchants in various sections of the country would have thereby been placed in a more favourable competitive position. We should point out, however, that up to the present, there has been nothing in the law to tax singly the profits from the different operating units of the one company and, under the regulations of the Income Tax Department, it has been permissible to consolidate for tax purposes the results of a group of associated companies (under the same ownership):—

- (1) where the various companies are engaged in the same line of business;
- (2) where the capital of subsidiary companies is *fully* owned by the parent company.

The foregoing profits and losses of the various units of the T. Eaton Co. Limited are shown after the levying of an interest charge by the Head Office. In the nine years 1925 to 1933, interest so charged amounted to approximately \$20,000,000. The Head Office organization, however, had supplementary expenses, etc., which were not pro-rated to the individual units which, in the same period, amounted to approximately \$40,000,000. It is not, therefore, possible to state definitely what operating result might be shown for any one unit, if the company had had to face taxation on the profitable units, without the benefit of offsetting losses on unprofitable units. Undoubtedly, all the supplementary expenses would, in such circumstances, be distributed directly against the operating units and, as the distribution of such charges is in a large measure discretionary, it is quite possible that the really profitable units would be called upon to bear the major share of such charges, and the losses of the less profitable units would probably be reduced by the expedient of cancelling the interest charges which form part of the losses now shown by the financial statements.

7. The next table is an analysis of the general Profit and Loss account, as it appears on Page 3091 of the evidence of the Committee. In this statement, we have endeavoured to show how Income Tax revenue has been affected by allowing excessively high salaries of forty executives to be deducted before income tax payment was calculated. The exact amount that each of the forty executives received has not been set forth in the Evidence by courtesy of the Commission, but it is understood that some of these executives received less than \$10,000 a year, while, on the other hand, a number of higher paid executives received excessively high salaries.

Therefore, it is submitted that in all corporations all salaries and bonuses in excess of \$10,000 ought not to be allowed as part of the expense of the Company, nor deducted before computing the amount subject to the Income Tax Provisions.

Having this end in mind, it will be noted that, after adding back the amount deducted for salaries and bonuses of 40 executives in excess of an average of \$10,000 each per annum, and after eliminating other losing units (but not losing units included in the T. Eaton Company Limited), the net profits upon which income tax should have been figured, on such basis would amount to \$43,856,000 for the nine-year period, whereas the amount upon which income tax was presumably paid, was only \$27,360,000, or an amount

of \$16,496,000 upon which additional income tax would have been paid had this basis been adopted. This additional amount consists of \$12,748,000 salaries in excess of \$10,000 per annum, and \$3,748,000 of operating losses offset against profits.

The table below is illustrative:—

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE T. EATON CO. LIMITED AND ITS SUBSIDIARIES FOR YEARS 1926 TO 1934

Showing only the profits, and eliminating the losses of the unprofitable units and adding back executive salaries in excess of an average of \$10,000 per annum.

Profits of	In thousands of dollars
T. Eaton Co. Limited.. . . .	\$40,602
T. Eaton Drug Co. Ltd.. . . .	588
T. Eaton Co. (Maritimes) Ltd.. . . .	3,033
T. Eaton Co. Ltd. of Montreal.. . . .	3,934
Canadian Department Stores.. . . .	82
Canadian Stores.. . . .	124
Guelph Stove Co. Ltd.. . . .	371
	<hr/>
Add: Interest.. . . .	\$48,734
	20,404
	<hr/>
Deduct: Supplementary Expenses, Allowances, Sundry Credits, etc.	\$69,138
	40,175
	<hr/>
Add: Amount of 40 executives' salaries in excess of \$10,000 yearly average.. . . .	\$28,963
	12,748
	<hr/>
	\$41,711
	<hr/>
Add: Profits of:	
T. Eaton Realty Co..	\$ 3,504
Purchasers' Finance Co. Ltd.. . . .	99
Business Properties Limited.. . . .	61
Rideau Stores Limited.. . . .	6
	<hr/>
	\$ 3,670
	<hr/>
	\$45,381
	<hr/>
Adjustment re Bonuses payable.. . . .	—1,475
	<hr/>
Net profits.. . . .	43,906
Net profits according to Company's books on which income tax was paid.. . . .	27,360
	<hr/>
	\$16,546

Even this figure of \$16,546,000 understates the case as there are losses hidden in the figures shown for the T. Eaton Company Limited, such as:

- (1) Toronto Factories, which showed losses amounting to \$354,000 from 1930 to 1933 inclusive.
- (2) The Ontario Groceries, which showed losses of \$375,000 from 1927 to 1933, inclusive.
- (3) Losses on the Toronto Stores (chiefly College street branch) amounting to \$2,634,000 during the years 1932, 1933 and 1934.
- (4) Losses on the Saskatoon, Regina, Moose Jaw, Calgary, and Edmonton stores during the years 1926 to 1934, which amounted to \$1,828,000.
- (5) Losses on various other units, such as, Teco Stores, Factories, Moncton store, etc., amounting to \$835,000.

So that if the losses of these units were added to the above figure, a more accurate picture of the winnings on the profitable units would be shown.

In the main Consolidated Profit and Loss Account (in the Statement C-5) appears an item as follows:

"Deduct: Supplementary Expenses, Allowances, Sundry Credits, etc." The total amount of this item for the nine-year period, 1926 to 1934, was \$40,175,000. It is interesting to consider certain items into which it is broken down in Statement C-7; for instance, "Organization Expenses," \$2,584,000, also "Provision for Business Promotion," \$2,282,000. It is difficult to believe that a concern so long and well established should require in the past nine years, the sum of \$4,866,000 for its "Organization and Promotion Expenses," especially in view of the fact that another item provides \$686,000 for "Special Advertising for Promotion of Business." Yet all of these have been deducted from the earnings of the company before calculating revenue for income tax purposes.

It is submitted that the T. Eaton Company, instead of being assessed for income tax purposes as a single corporation ought to have been assessed on each of its unit operations separately, as each of these constitute definite competition with other independent merchants. The number of units involved in this gigantic concentration was 170, as indicated in paragraph 4.

8. *Robert Simpson Company, Limited.*—The financial set up of the Robert Simpson Company Limited has been dealt with elsewhere in this report. For the purpose of this analysis, it might be pointed out that this multiple organization includes the Toronto retail store and the Toronto mail order, the Halifax retail store and mail order, the Regina retail store and mail order, the Montreal retail store, Keen's Manufacturing Company Limited, Thompson Manufacturing Company Limited, Les Représentants de Robert Simpson, the Robert Simpson Company (London) Limited, The Robert Simpson Drug Company Limited, and the Central Indoor Parking Garage Limited. It will be noted from this list that there are, in addition to Simpsons, Limited, which is the holding company, ten separate and distinct companies, each one being a separate legal entity in itself.

It will also be noticed that the most of these companies showed losses for a substantial portion of the period under review. All of these losses, however, were washed out in the handsome profits made in the central organization.

9. The outstanding feature of this company consisted of the withdrawal by the original interests, of \$5,000,000 in 1925 and \$10,000,000 in 1929, or in all, \$15,000,000. This was achieved, in part, by writing up the assets in these two periods by \$8,720,700, and by other refinancing operations.

A very simple method of recognizing the exact effect of this refinancing is to be found in an examination of the Profits and Loss Account on pages 2754 and 2755 of the Evidence of the Committee. Under the caption "Provision for Profit Taxes," it will be noted that the company provided for 1926 the sum of \$208,000, and for the year ending January, 1930, the sum of \$227,000, with approximately similar amounts in the intervening years. In the middle of the year ending January, 1930, the Flavelle, Fudger, Cox group received \$10,000,000, which was paid out of a bond issue of \$10,000,000, and an issue of 6½ per cent Cumulative Preference Shares of \$10,000,000, the net result of which was that the Company's liabilities were increased.

It will be noted that for the years 1931 and 1932 no provision for income tax was made, but it will further be noted that bond interest jumped suddenly from approximately \$350,000 average over a period of years, to \$630,000 for the year 1930, so that the net result of this refinancing scheme was that income tax payable to the State virtually vanished, while the interest on bonds approximately doubled. In effect, the fortunate group that withdrew \$10,000,000 at this time obtained the benefit of the bond issue, but the increased liabilities, thereby created, virtually wiped out the income upon which the State had been receiving taxes. In other words, the bond holders took the position of the State in relation to the earnings of this Company. In this regard, it should be noted as shown on page 2801 of the Evidence, that the company paid dividends from the year 1903 to 1916 (except for one year on which 2 per cent was paid), at

annual rates of from 5 to 9 per cent; and from 1917 to 1924 (with the exception of 1921 when $7\frac{1}{2}$ per cent was paid), at 10 to $11\frac{1}{2}$ per cent. Also that there was a stock dividend in addition to dividends paid in cash, and over and above the \$15,000,000 withdrawn in the years 1925 and 1929, by the original group. An excellent summary of the situation was made by Mr. Ilsley as shown on page 2800 of the Committee Evidence as follows:—

Q. Mr. Adamson, assume the case of a man who got one share in 1902 for which he paid \$100?

A. Yes.

Q. Assume that the gentleman followed that share through till 1925, when he got his cash, then he had 5 shares?

A. Yes.

Q. By 1925?

A. Yes.

Q. And for which he got \$150 apiece, which made \$750?

A. Yes.

Q. And those 15 shares he sold in 1929 for \$150 apiece which is \$2,250; the \$2,250 plus the \$750 makes \$3,000, which he got in 1929 for an original investment of \$100 with his cash dividends every year in the meantime?

A. Yes.

Q. That is the whole story, is it not?

A. Yes.

By Mr. Sommerville:

Q. Then that is equivalent to 30 for 1?

A. Yes.

Q. Par value, plus dividends?

A. Yes.

Q. Now then, what were the dividends received?

A. The dividends received were: (a list of dividends paid from 1903 to 1924 is inserted here, which run from 6 per cent to $11\frac{1}{2}$ per cent, with one exception).

Q. These were on each share. If the holdings at 1917 were 5 for 1 and the dividend declared was 10 per cent, it is equivalent to 50 per cent dividend of the original investment?

A. Yes. In addition to that there were the bonds and preferred shares.

Q. Yes, and these preferred shares were issued as bonus shares to the same group?—A. As stock dividends.

Q. I beg your pardon, as stock dividends?—A. Yes.

It is pertinent here to ask, was proper consideration given to the withdrawal of this \$15,000,000 when assessing the shareholders for income tax purposes. An analysis of the company's capital indicates that less than \$1,000,000 of the amount received represented a return of capital invested and the balance taken out by this group represents profits earned in the business and a profit of something over \$5,000,000 arising from the writing up of fixed assets and selling them on the basis of an appraisal. While the tax laws have since been amended to render taxable the withdrawal of profits in this manner, there seems little doubt that the methods followed resulted in the group receiving this amount virtually free of tax.

As in the case of the T. Eaton Company it is submitted that this company ought to be assessed for income tax purposes on each of its units separately.

10. *The Hudson Bay Company.*—The third large multiple department store organization is the Hudson's Bay Company. This company operates 11 units. The statements in regard to them are not as complete as in the case

of the other two large retail corporations. The Profit and Loss Account for the year ending the 31st of January, 1934, however, well illustrates a similar situation in connection with this organization. Below is given a table showing the profit and loss respectively of the various stores. This statement shows that six stores made a profit in the year mentioned and five made a loss. The total profits of the six stores amounted to \$237,330; the total losses of the five stores amounted to \$243,717, leaving a net loss of \$6,387.

HUDSON'S BAY CO. (P. 3490)

PROFIT AND LOSS BY STORES FOR YEAR ENDING 31ST JANUARY, 1934

	Sales	Profit	Loss
		\$	\$
Winnipeg.....	6,998,316		160,954
Vancouver.....	6,048,877	177,709	
Calgary.....	2,646,898	45,558	
Edmonton.....	1,864,989	7,858	
Victoria.....	1,890,375		38,429
Saskatoon.....	1,121,373		43,653
Kamloops.....	276,788	1,186	
Nelson.....	237,642	3,898	
Vernon.....	218,709	1,121	
Yorkton.....	171,168		681
Total Stores.....	21,475,135		243,717
Total Profits on 6 stores.....		237,330	
Total losses on 5 stores.....		243,717	
Total Net Loss on operations of 11 stores.....		6,387	

11. The argument in connection with this company is the same as for the two preceding companies. Here also a multiple retail corporation has stores in eleven of the leading centres of Western Canada which compete with the ordinary single unit merchant. Six out of the eleven earned profits in the year ended 31st January, 1934, but the net result of the whole eleven stores was a loss. In paying income tax this loss was used to reduce the amount of taxable profits arising from other branches of the company's activities in Canada, such as the fur trade and lands department. Thus, although in centres where the stores operated at a profit they were keen competitors of other successful merchants who paid income tax on individual units, the profits earned by these six stores being offset in this manner resulted in the payment of no income tax.

12. *Chain Stores*.—The chain stores are on a somewhat different basis from the department stores, but for the purposes of the analysis contained in this Annex, they offer a more simple problem. The chain store organizations operate distinct, separate, merchandising units in the form of retail stores, which operate in direct competition with the smaller local merchants. It is therefore reasonable to expect them to pay taxes on the same basis as do their immediate competitors. For the purposes of illustration, we will take the Dominion Stores, the Atlantic and Pacific Tea Co., and the Thrift Stores.

The *Dominion Stores* in the year 1933 operated 513 unit outlets. Of these 221 operated at a loss and 292 operated at a profit. The largest single shareholder of this chain is the Canada Packers, and it might further be noted that 71% of the shares are owned in the United States.

The Profit and Loss account of this company shows net profits for the period of ten years, after provision for income tax, of \$4,195,000. This, however, is after deducting all losses, as stated above which in the year 1933 were experienced in 221 stores.

13. *The Atlantic and Pacific Tea Company*.—In the case of the Atlantic and Pacific, it is worthy of note that the Montreal division as a whole shows

losses and the Toronto division, as a whole, shows profits. There were 34 stores out of a total of 114 in the Montreal division that operated at a profit for the fiscal year 1934 and in the Toronto division there were 82 stores out of a total of 167 that showed a profit for the fiscal year, 1933.

The following table covers the record of this organization for six years:

NUMBER OF STORES, SHOWING PROFIT AND LOSS

Year	Showing Profit	Showing Loss
<i>Montreal Division—</i>		
1930.....	10	128
1931.....	34	116
1932.....	43	100
1933.....	33	89
1934.....	34	80
	154	513
<i>Toronto Division—</i>		
1929.....	43	63
1930.....	96	44
1931.....	117	41
1932.....	86	76
1933.....	82	85
	424	309

It will be observed from this table that the stores showing losses, on the whole, exceed those showing a profit. There is no statement covering the individual operations of these units, but on Page 870 of the Commission's evidence is a table showing examples of store operating statements for the year ending February, 1934, which graphically illustrates how the stores with losses substantially wipe out the profits from the stores with gains.

14. *Thrift Stores.*—Another illustration is the Thrift Stores. In this organization in 1934, 33 stores out of 75 operated at a loss.

While these illustrations in connection with chain stores, and other multiple operations, are most incomplete, owing to the fact that the statements of these organizations were usually composite statements not giving unit detail, nevertheless, it must be abundantly clear that, where a great organization operates a large number of outlets, and for taxation purposes is permitted to wash out losses of unprofitable units, they have a decided advantage over competitors who are operating on an individual unit system.

It is therefore recommended that the Income Tax Act and regulations should be so amended as to provide that corporations operating more than one unit should pay income tax on the earnings of each unit, and should not be permitted to deduct the losses of the unprofitable units.

There are other multiple unit concerns that have been examined that should be cited:

15. *Canneries.*—In this case, the Canadian Cannery is the largest multiple cannery organization. This concern has 80 canneries of which 42 were closed in the year 1933. In this case, the operating plants, 38 in number, had to carry overhead, maintenance, upkeep and other carrying charges of the idle plants. This is another feature which constitutes an element of unfairness which ought to be corrected.

In the case of the Associated Quality Canners; this company owns 12 plants of which 3 were operated in 1933. The same observations apply in this case as in the preceding paragraph.

16. *Packing Plants*.—Canada Packers is the largest packing organization in Canada, owning 12 plants of which 6 have been closed. The capital charges, overhead, maintenance, and upkeep of these closed plants are used as a charge against the profits of the operating plants, thus lessening the amount of taxable income.

17. *Flour Milling Companies*.—Many of the large flour milling companies operate a number of plants in different parts of Canada. Each one of these units is a distinct operation and is competing directly with single unit companies in various parts of the country, yet where certain plants are unprofitable, the losses are deducted from the earnings of the more profitable units, again constituting an unfair type of competition with the single unit concern.

PART 2.—THE PRINCIPLE OF FAIR MARKET VALUE APPLIED TO SALES TAX

During the course of the Investigation much emphasis was placed upon price discrimination as between the large and the small distributor, as an important phase of the problem of distribution and one having widespread effects upon the economic and social structure of the country.

Price discrimination would seem, at first thought, to be only a problem as between two types of distributors. This, however, is not the case, as the evidence has shown that the ramifications of the practice are widespread and its resultant effects most destructive. In Chapter VII of the Report there was outlined the manner in which the pressure upon the mass buyer for the large retail distributors has forced them to drive the hardest bargains they can with the manufacturer and to obtain from the latter the largest amounts possible in the form of quantity and volume discounts, rebates, advertising and other allowances. This unfair advantage sets in motion a chain of circumstances which, if followed to its ultimate conclusion, finally places the burden upon the State, in the following manner. The manufacturer must first of all reduce his profits. Then to meet the dictated prices, he cuts his costs, the most flexible of which is his labour cost. He is therefore forced to reduce wages. This curtailment must also take place in the plants of his competitors. This results in a general decrease of purchasing power all along the line, the ultimate effect of which is an increase in unemployment which finally results in mounting relief costs which the State must bear out of a decreasing revenue.

In the second place, this unfair advantage obtained by the large distributors over the smaller, independent dealer places the latter under a severe handicap and in many cases, he is unable to compete.

In the third place, this practice of price discrimination has made possible, to a large extent, the rapid development of chain stores, mail order houses and chain department stores whose activities in the smaller cities and towns have set up a chain of circumstances similar to those outlined above and having the same final result. The independent merchant has been placed in a position where he finds it extremely difficult to compete; opportunities for the youth of Canada have been curtailed; the ability of local merchants and industry to pay taxes and contribute to the upkeep and the well-being of the towns and cities in Canada has largely disappeared, and as a result, many of these towns and cities are on the verge of bankruptcy and in default on their obligations.

Finally, but nowise the least, the sales tax revenue of the country has declined as a result of this price discrimination. This will be discussed more fully below.

It is evident, therefore, that this problem is a very complex one and is one of the basic causes of the lack of purchasing power and the widespread unemployment in Canada. In view of this, it is submitted here that it could be overcome only by the adoption and application of some broad and well-recognized principle.

It is not denied by any one that the mass buyer for the large corporation has been able to secure unusually advantageous discounts and allowances. These allowances are not made according to any recognized principle, but seem to reflect largely the power of the large buying corporation to impose its will upon the vendor of the merchandise. In our opinion, this is unfair and economically unsound. Granting one retail distributor a special price advantage over any other retailer, inevitably leads to greater concentration and is conducive to monopoly. If such allowances are to be made at all, they should be based, as nearly as possible, upon some accepted principle. For instance, no quantity buyer should be entitled to a discount greater than the actual saving in the cost of distribution based upon justifiable economic grounds; nor should the alleged higher credit standing of the large concern command an allowance greater than that which actuarial experience has demonstrated to be warranted, namely, approximately 1 per cent; the cost of selling in large quantities is admittedly somewhat less than the cost of selling in small quantities, but it is extremely doubtful if in any case this factor would warrant a greater discount than $2\frac{1}{2}$ per cent; in case of a cash payment which is commonly practised by the large buyer, the experience over a long period of time would warrant a discount equal to the value of his money to the seller, and is accepted generally to amount to 1 to 2 per cent.

It would therefore appear reasonable to say that in the ordinary run of commercial transactions, a maximum discount of 5 per cent might be considered fair. In practice, however, it has been clearly shown that a great variety of discounts, vastly in excess of 5 per cent, are being allowed to the big corporations, and further, that these allowances are not based upon any sound principle in economics. This was amply demonstrated in the scale of allowances in connection with the Rubber Tire Trade, the Rubber Footwear Trade, in the allowances by the Cannery Industry to favoured distributors, in the Furniture Trade, and in many other instances submitted in evidence. These allowances were of a variety of forms, such as, special prices, quantity discounts, advertising allowances, free goods, display allowances, etc., but in effect all amounted to valuable discounts.

It is apparent that the correction of this abuse is attended with considerable difficulty, and in this annex we are suggesting a method which, we believe, will effectively and equitably meet the case. It must also be remembered that wherever excessive discounts are allowed, the revenues of the country suffer. If a 30 per cent discount (which is not uncommon) is allowed to a firm on a large quantity of goods, the sales tax is evaded to the extent that such discount is excessive and the extent to which there is a lessening of revenue, the burden upon other taxpayers is accordingly increased.

As indicated above, it was recognized that some broad and general principle ought to be applied. Such a principle, it is submitted here, is to be found in the Customs Tariff Act and in the Customs Act, set forth more fully in succeeding paragraphs. It might be termed "The Application of the Fair Market Value Principle," which has been, in one form or another, definitely recognized in the statute laws of the country since 1905. It appeared first in the Customs Tariff Act, Section 6, and later was incorporated in the Customs Act, Sections 35-37-38. It is proposed to adapt this principle to the Special War Revenue Act, Chapter 179, and it is submitted that if this principle is sound when applied to goods coming into Canada from outside countries, it is surely reasonable to apply the same principle to commercial transactions between persons within Canada and engaged in domestic trade.

The following is a brief recital of the principle as it appears in the Customs Act, Chapter 42, and the Customs Tariff Act, Chapter 44.

The Customs Act

The Customs Act, Chapter 42, Section 35, provides for the method of ascertaining the valuation for duty purposes on imported goods.

Section 35, subsection 1, is as follows:—

“Whenever any duty ad valorem is imposed on any goods imported into Canada, the value for duty shall be the fair market value thereof, when sold for home consumption, in the principal markets of the country whence and at the time when the same were exported directly to Canada.”

Section 37 provides that in cases of difficulty in determining the fair market value of goods, the prices of which are published by the manufacturer or producer, the Governor in Council may determine a certain rate of discount which may be applied to such published price.

Section 38 (1) provides that appraisers shall by all reasonable ways and means appraise the true and market value of goods in the principal markets of the country of origin, and the proper weights, measures and quantities, and the fair market value thereof.

In section 6 of the Customs Tariff Act, Chapter 44, provision is made in case of under-valuation of imports as follows:—

(6) “In the case of articles exported to Canada of a class or kind made or produced in Canada, if the export or actual selling price to an importer in Canada is less than the fair market value of the same article when sold for home consumption in the usual and ordinary course in the country whence exported to Canada at the time of its exportation to Canada.....there shall, in addition to the duties otherwise established, be levied, collected and paid on such article, on its importation into Canada, a special or dumping duty, equal to the difference between the said selling price of the article for export, and the said fair market value thereof or value for duty thereof; and such special or dumping duty shall be levied, collected and paid on such article, although it is not otherwise dutiable.”

It is now proposed to show that this principle may be adapted to the Sales Tax Provision of the Special War Revenue Act.

In the Special War Revenues Act, Chapter 179, Section 85, the sale price for the purpose of calculating the amount of the sales tax is defined as being “the price before any amount payable in respect of the consumption or sales tax is added thereto”.....“and in the case of imported goods the sale price shall be deemed to be the duty paid value thereof.” “Duty paid value shall mean the value of the article as it would be determined for the purpose of calculating an ad valorem duty upon the same.”

Section 86

(1) There shall be imposed, levied and collected a consumption or sales tax of six per cent on the sale price of all goods,—

- (a) produced or manufactured in Canada payable by the producer or manufacturer at the time of the delivery of such goods to the purchaser thereof.
- (b) imported into Canada, payable by the importer or transferee who takes the goods out of bond for consumption at the time when the goods are imported or taken out of warehouse for consumption; or
- (c) sold by a licensed wholesaler, payable by the vendor at the time of delivery by him, and the said tax shall be computed on the duty paid value of goods imported or if the goods were manufactured or produced in Canada, on the price for which the goods sold were purchased by the said licensed wholesaler and the said price shall include the amount of the excise duties on goods sold in bond.

It would seem that the machinery for fixing the sale price upon which the sales tax could be levied might very easily follow the general lines of the machinery for ascertaining the value for duty purposes of imported goods.

The definition of sale price in the Special War Revenue Act should be amended so as to provide that the sale price upon which the tax shall be levied, shall follow the language of the Customs Act, and be so defined as to provide that the sales tax shall be levied upon the "fair market value" of such goods in the usual and ordinary commercial sense of the term and as sold in the ordinary course of trade. Provided that any discrimination by volume bonus, discount for cash, quantity, or advertising allowances or by any other purpose whatever shall not exceed in the aggregate, 5 per cent, or such other rate as shall be fixed by the Federal Trade and Industry Commission. Such discount, rebate, etc., shall not be allowed unless it has actually been allowed and deducted from the invoice by the vendor of the said goods.

In order to prevent evasions by making allowances subsequently or at any time other than the time of sale, or by paying such allowances back to the company as was done in one chain store case and entered as special revenue, and in order to facilitate the work of the inspectors under the Special War Revenue Act, a new clause should be inserted in Part 13 of the Special War Revenue Act, following Section 90 for the following purpose:—

When goods are sold by a licensed manufacturer or licensed wholesaler or by a wholesaler or jobber not licensed under this Act to a distributor to the public, the purchaser shall be furnished with a written invoice of the goods sold, which invoice shall clearly set forth the correct classification of the goods and any or all allowances, volume bonuses, quantity discount, discount for cash, or advertising allowance or discount of any type or kind or for any purpose whatever. No discount or allowance of any kind whatsoever shall be made to a purchaser, other than that set forth in the invoice, and if such as subsequently discovered to have been made, it shall be considered an offence under the Act and subject to penalties set forth in Section 111 of this Act. Provided, however, that in no case shall the aggregate discrimination permitted, including all types or forms of allowance or discount exceed 5 per cent, or such other rate as may be fixed by the Federal Trade and Industry Commission.

In order to ensure that the practice indicated in the preceding paragraphs is followed by the vendor of the goods, it would be necessary to add to the aforementioned sections a new subsection similar in its language and principle to section 6 of the Customs Tariff Act, somewhat as follows:—

If the actual sale price to any purchaser in Canada is less than the fair market value of the said article, as so defined, there shall, in addition to the sales tax otherwise established, be levied, collected and paid on such article, on its sale, a special sales tax equal to the difference between the said sale price of the said article, and the said fair market value thereof as above provided.

In making this proposal, it is recognized that certain difficulties may arise, such as a differential in discounts as applicable to different commodities, or in different circumstances. Such variations do not, it is felt, constitute insuperable difficulties, and can well be controlled by the Federal Trade and Industry Commission which it is proposed to set up.

PART 3.—EXCESS PROFITS TAX.

In the two preceding parts of this Annex, amendments have been suggested to existing laws, the adoption of which would, it is held, do much to eliminate unfair competitive practices. There still remains, however, the most difficult problem of all, that is, some effective method that will ensure a more equitable distribution of wealth in such manner as will increase the purchasing power of a larger proportion of the people. In the following paragraphs, a proposal is outlined, designed effectively to accomplish this end.

There are two ways in which this might be accomplished:—

- (1) *By strict and effective price control.*—This is admittedly very difficult and, in our present complex economic system, doubtful as to its results.
- (2) *The control of profits.*—That is, the regulation or control of profits in excess of an allowed maximum, by taxation on a steeply graduated scale, and a distribution of the balance in a manner referred to below.

It is held that the method indicated in number (1) would be extremely difficult to administer, highly controversial, and very doubtful on its effective results. The adoption of the method indicated in the second sub-paragraph above, namely, the control and regulation of profits, is therefore recommended.

It is but a platitude to say here that all real wealth is created by the primary producer and added to by the labour of those in secondary industries. While this may seem to be a commonplace, it is something that apparently is not recognized by those who are virtually in control of the economic system of the times. Otherwise we would not witness the paradox in Canada of poverty among plenty; or a million and a quarter people on relief and a very large proportion of the remainder of our population receiving what is admittedly far below their just rights for the products of their labour, while at the same time, a considerable body of the population are enabled to make unusual, and in some instances, fabulous profits for a very meagre expenditure of energy or effort. It is felt, that, to a substantial degree, this disparity arises from an unequal distribution of the ultimate value of the products of the primary producer.

Throughout its inquiry, the Commission was constantly confronted with the fact that the producer—both the primary producer in agriculture and the industrial worker in the secondary industries—was compelled to accept the residue out of the consumer's dollar after distributing agencies and invested capital received their quotas which, to a substantial degree, were a fixed quantity. This, has been amply demonstrated elsewhere in this Report, particularly in the Chapter dealing with primary producers.

A difficult and almost paradoxical problem confronts all who desire to correct an inequitable situation such as indicated above. In this respect, while it is desirable to maintain some incentive that will spur men on to do their utmost, it is, at the same time, necessary to ensure a fair distribution of the profits of the joint effort of capital and labour expended in the production of goods. In the past, the profit motive has been one of the most effective in stimulating men to a maximum of effort, and, indeed will continue to be so in the future. However, the results of the profit motive have been very largely reserved for those who control capital while the worker or primary producer, as the case may be, has been allowed only that minimum which is left after the exaction of a maximum of profit. In times of stress, such as the present, it is obvious that the winnings of capital will be and are reduced, but the sad story with which this Commission has been confronted during the past year is that the winnings of agriculture and labour have been even more sharply reduced. On the other hand, in times of great prosperity, if labour is scarce, the workers may succeed in getting an increased wage and agriculture an increased price, but all the fine winnings or excess profits accrue to capital.

It is, therefore, suggested that there should be enacted a law, not dissimilar in its character to the Excess Profits Tax Act of the war period, but dissimilar in its motive. The Excess Profits Tax Act of the war period was designed, on the one hand, to obtain increased revenue, but more particularly to allay public indignation at the excessive profits made by what were commonly known as war profiteers, and once the motive disappeared and public indignation was allayed, then the need for the Act also vanished and it was repealed. This proposal, however, is founded on an entirely different basis. It is intended as a method for a permanent and equitable distribution of the winnings of capital and labour as applied to the economic activities of the Canadian people.

It is suggested that all profits of all corporations in excess of a datum quantity in each industry or commercial activity, shall be divided into three parts: one-third going to the state; one-third going to the employees or workers in the undertaking (not including executives); and one-third going to the company. There are three arguments for the adoption of this method which might be briefly stated as follows:—

- (1) The one-third going to the state is believed to be a sound suggestion because, after all, it is the existence of the state that makes possible the productive elements which enables the company or individual to earn substantial returns on the investment of capital. There is present in every undertaking the element of the *unearned* gain, due to the composite demands of society as a whole.
- (2) Even the most prejudiced mind to-day cannot deny that the worker has not received his just return for his labour. In the several years just past, he has been treated too much as a "cost item" in the industrial program, and we are coming, more and more, to realize that the worker is worthy of his hire. Therefore, it is suggested that where there are excess winnings, the worker should share in them and to the degree that he benefits from this additional profit, there will occur a wider distribution of purchasing power, resulting in a general stimulation of purchasing on a broad basis.
- (3) In allocating one-third of these excess winnings to the company, it is submitted that the incentive to put forth the best effort possible and the most economical system of management is maintained.

This distribution of excess profits ought to occur only after the payment of all ordinary taxation and reasonable allowances for depreciation. In the past, there has, no doubt, been considerable abuse of the depreciation reserve account, and it is further suggested that the Federal Trade and Industries Commission, as indicated in the Report, should be empowered and instructed to set up standards of depreciation allowance and reserve of a uniform and equitable character. Obviously, each individual firm ought not to be allowed to fix its own standards. This is necessary just as much for the purposes of the suggestion in this part as well for income tax purposes.

Finally, this proposal is not intended as a basis for revenue, but rather as an effective way to control what is now admitted to be a maldistribution of wealth.

INDEX

TO THE TEXT OF THE REPORT ONLY¹

- Advertising**
 - amendments to Criminal Code, 246, 247
 - misleading, 231, 236, 245
- Agricultural Implement Industry**
 - conclusions *re*, 67
 - controlled by large manufacturers, 60, 61
 - credit sales, 65
 - general condition of, 60, 61
 - labour conditions, 116
 - overproduction, 63, 64
 - price maintenance, 62
 - profits, 64
 - repair parts, 66
 - sales through branches and agents, 65, 66
 - wage rates, average, 116
- Amalgamation**
 - as method of consolidation, 28
- American Can Company**
 - contract with Canadian Cannery, Ltd., 70
- Appraisal Companies, 45**
 - unreliability of certificates, 39
- Associated Textiles of Canada, Limited**
 - leading position in silk industry, 83
 - wage rates, average, 118
- Associated Quality Cannery, Limited**
 - capitalization, 68, 69
 - contract with Whittall Can Co., 71
- Australia**
 - state control, 253
 - plan for economic recovery, 253, 254
- Baking Industry**
 - chain-store bakeries, 98
 - competitive practices, 100
 - excess capacity, 99, 100
 - independent bakers, 97
 - maintenance of free competition, desirable, 101
 - mill-controlled bakeries, 97, 98
 - selling and delivery costs, 100, 101
 - wages,
 - average annual, 113, 114
- Beef**
 - see Live Stock Industry
- Binz, M. E. Co.**
 - wage rates
 - average, 118
- Board of Commerce (1919), 258, 259**
- Bread**
 - loss leaders, 98
- Burns, Limited, 57**
- Butterfly Hosiery Co., Ltd.**
 - wage rates and earnings, 119
- Canada**
 - Board of Commerce (1919), 258, 259
 - Combines Investigation Act, 259
 - amendments recommended, 260, 261
- Canada Bread Company, 98**
- Canada Packers, Ltd.**
 - in creamery and canning fields, 60
 - position in meat packing industry, 59
- Canada Packers, Ltd.—Con.**
 - wages
 - comparison of, in meat packing industry, 114
- Canadian Appraisal Company**
 - valuation of assets of Simpson, Robt. Co. Ltd., 37
- Canadian Cannery, Ltd.**
 - capitalization, 68
 - contract with American Can Co., 70
 - prices, 69
 - remedial suggestions, for canning industry, 158
 - re-organization of, 37
- Canadian Celanese, Ltd.**
 - increase in production and profits, 84
- Canadian Cottons, Ltd., 81**
- Canadian Rubber Footwear Manufacturers Association**
 - discounts and rebates, 73, 74
 - sales quotas, 75
- Canning Industry**
 - carry-overs, 69
 - contracts, canner-grower, 154, 155
 - dockage, 155, 156, 157
 - general condition of, 67, 68
 - home-canning, 156, 157
 - hours of labour, 114
 - infringement of Minimum Wage Act, (Ontario), 115
 - position of primary producer, 153
 - prices paid to producer, 154
 - tin-plate cartel, 72
 - tomatoes, prices, selling, 153
 - wage rates, 114, 115
- Cartels, 251**
- Cattle**
 - see Live Stock Industry
- Chain Stores**
 - drug
 - hours of labour, 123
 - effect on independent retailer, 214
 - food
 - hours of labour, 121, 122
 - wages
 - average hourly, 121
 - growth, 213
 - labour conditions, 123, 124
 - prices to consumer, 216, 217, 218
 - compared with independent retailers, 217, 218
 - rate of growth, declining, 215, 216
 - short weighing
 - compared with independent retailers, 230, 231
 - store managers, 218, 219
 - system of operation, 120, 121, 218, 219
 - variety
 - labour conditions, 122, 123
 - effect of absence of Minimum Wage Laws on, 122
 - wage rates, average, 122

(1) See also *Index of Minutes of Evidence*.

Chain Stores—Con.

voluntary, 213, 214

Cockshutt Plow, Ltd., 60, 61**Collective Bargaining,** 127**Combination**

benefits and disadvantages of, 47

Combines Investigation Act

amendment, recommended, 260, 261

federal control of monopolies, 49

state control, 259

Competition

deceptive packaging, 230

fishing industry, 190

"imperfect," 8, 9

definition of, 5, 6

in relation to mass buying, 8

live stock industry, 161

milling industry, 93

"simple"

definition of, 5, 6

unfair practices in the retail trade, 228-231

condemned, 233

Concentration

of economic power in retail distribution, 232

Consolidations

number of, (since 1900), 28

objects of, 29, 30

public financing, arising out of, 31

results of (1900-30), 31, 32

Consumer

position in industry and trade, 234

Consumers' Co-operative Movement, 219, 220**Consumer Standards,** 242

difficulties of standardization, 244

use of non-standard sizes, 245

Control

social, nature of, 248, 249

Corporations

large, growth of Canadian, 20, 21, 22

conclusions re, 26

rate of, 24, 25, 26

classified by industries, 25

classified by size, 26

groups of companies with continuous existence (1923-33), 24

methods of control, 15, 16

in 145 largest Canadian, 16, 17

in 200 largest American, 18

nature of growth, 13, 23

shareholdings of directors in, 17

Cotton Manufacturing

general condition of, 81

Courtaulds (Canada) Ltd., 84

increase in production and profits, 84

Department of Trade and Commerce

activities in developing markets for Canadian fish, 181

Department of Labour

publicity and advertising advocated, 138

Department Storessee also: **Mass Buying**

compared with United States, 207, 210, 211, 222

concentration in few companies, 207

Department Stores—Con.

departmental expense charges, 208, 209

department managers, 207, 208

growth, 204, 205

hours of labour, 119, 120

improbability of future expansion, 207

increasing costs, 209, 210, 211, 212

increasing margins and costs of operation, 211, 212

mail order, 205

operating results, 209

over-expansion, 207-212

sales, 202, 203, 206

wage rates, average, 119, 120

Directorates

inter-locking, condemned, 43

Directors

holdings in company's securities, 43

Dominion Companies Act

amendments of, 40-42

see also: **Summary of Recommendations**, pages xviii-xxv**Dominion Textile Company Ltd.**

sales, 82

Dominion Woollen and Worsted Ltd., 82**Drug Holding Company**

control of Tambllyn Ltd., 19

Eaton, T. Company

sales, 206, 207

Employer's Associations

proposed, 125

Exploitation

definition of, 143

Exportsdependence of Canadian economy on, 10, 11
expansion, in interest of primary producer, 144, 145

live stock industry, 168

Massey-Harris Company, 63

tobacco industry, 51

Fair Wages and Eight Hour Day (1930)

amendments, 135, 136

defects in, 136

Federal Trade and Industry Commissionsee also: **Summary of Recommendations**, pages xviii-xxv

recommended, 264-275

functions, 265-275

structure, 265

Federal Trade Commission

state control, United States, 254-56

Fertilizer Industry

delivered prices in, 76, 77

general condition, 76

Fisheries Control Boardsee also: **Summary of Recommendations**, pages xviii-xxv

proposal, 189

Fishing Industry

chain stores

sales of fish, 189

competition, cut-throat, 190

consignment shipments, 190

co-operative movement, 196

culling and weighing, 189, 190

dealers, 188, 189

Fishing Industry—Con.

distributing system, 187, 188
 dried and cured fish, 178, 179, 180, 181
 production methods, 180
 Fisheries Control Board, recommended, 198, 199
 fishermen
 earnings of, Nova Scotia, 184
 Quebec, 185
 homes and equipment, 185
 number of, 174
 fresh fish industry, 176, 177, 178
 general condition of, 173, 174, 175
 herring and sardine industry, 181, 182
 lobster industry, 183
 pickled fish industry, 182, 183
 price spreads, 191, 192, 193, 194
 prices, low, 196
 retail marketing.
 substitution of varieties and quality, 191
 unsatisfactory conditions of handling, 191
 smelt industry, 183, 184
 steam trawlers, 196

Flour Milling Industry

wages, average, 114

Food and Drug Act

adulteration, 239
 standardization of containers, 244

Footwear

leather
 investigation of 8 factories, 112, 113
 number of employees engaged in, 112

Frost and Wood Company Ltd., 60

Furniture Industry

decrease in production and sales, 103
 general condition of, 102
 investigation of 26 factories, 113
 mass buying in, 103
 self-regulation in, 104

Gasoline

delivered prices, 77

Government Control

see state control

Hogs

see: **Live Stock Industry**

Holding Company

as method of controls, 18, 19
 as method of consolidation, 29

Honey Dew Company Ltd.

example of use of non-voting stock, 20

Hosiery Manufacturing

general condition of, 83

Hudson's Bay Company Ltd., 204

sales, 206

Imperial Tobacco Company

earnings, average annual, 115
 capitalization, 51, 52
 price maintenance, 53
 prices, 149, 150
 retail and to producer, 53, 54
 profits, 51, 52
 sales volume
 methods of maintaining, 53

Industrial Disputes Investigation Act

amendments, 136, 137

Inflexibility

in Canadian economy, 11, 12

International Harvester Company of Canada, Ltd.

imports, 63

Investment Dealer

functions of, 27
 profits of, from refinancing, 36
 unreliable as protector of investor's interests, 38

King and Rankin Ltd.

home-canning, 156

Knit Goods Manufacturing

general condition of, 84, 85

Labour Conditions

see also: **Wages**
 policies of chain store companies, 123, 124
 position of the wage-earner, 105, 106, 107
 remedial suggestions, 105, 124, 125
 sweat shop practices, 108

Labour Legislation

amendments to present Dominion laws, 135, 136
 amendments to present Provincial laws, 129
 Dominion
 reservations and qualifications, 141
 effect on wage-earner, 106, 107
 improved labour law administration, 128
 inter-provincial co-operation, 140, 141
 national uniformity, 139, 142
 methods of achieving, 140
 Provincial, 134
 regulation of hours of labour, 133

Labour Statistics, 137

Lake of the Woods Milling Company, 90, 98

Live Stock Board, 172, 173

see also: **Summary of Recommendations**,
 pages xviii-xxv

Live Stock Industry

beef grading, 167
 cattle, grading, 166
 commission agents, 164, 165
 cutters and canners, 168
 decline of competition, 161
 direct shipments, 162, 163, 164
 export trade, 168
 bacon, 168, 169, 170, 171, 172
 cattle, 168
 freight rates, 172
 grading for export, 169, 170, 171
 United Kingdom, 171, 172
 general conditions of, 158, 159, 160
 hogs
 grading, 165, 166
 marketing, 165
 improved quality necessary, 161
 meat products, retailing of, 167, 168
 position of producer, 159, 160
 prices, decline in, 159
 stockyards
 fees, 164
 sale through, recommended, 164
 truckers, 165

Lockport Company Ltd., 193

- Loss Leaders**, 228, 229
 - bread, 98
 - meat, 58, 59
- Lunenburg Sea Products Ltd.**, 193
- Macdonald, W. C. Ltd.**
 - profits, 51
 - refusal to sign marketing agreement, 152
 - wage rates, average, 115, 116
- Mail Order Houses**
 - wage rates, average, 119, 120
- Manufacturers' Discounts and Rebates**, 224, 225, 228
 - advertising allowances, 227, 228
 - Canadian Rubber Footwear Manufacturers' Assoc., 73, 74
 - premiums, 226
 - quantity discounts, 226
 - trade discounts, 225
- Maple Leaf Milling Company**, 98
- Maritime National Fish Corporation**, 193
- Marketing**
 - machinery, improvement in, 145
- Mass Buying**
 - bargaining, advantages of, 220, 221
 - department stores, 221, 222, 223
 - effect on independent retailer, 221, 224
 - effect on labour, 107, 108
 - effect on manufacturers, 221
 - price concessions, 224, 225
 - price spreads, 222, 223
 - under conditions of "imperfect" competition, 8
- Massey-Harris Company**
 - exports, 63
- Meat and Canned Foods Act**
 - standardization of containers, 244
- Meat Packing Industry**
 - decline in sales and production since the depression, 56
 - general condition in, 54, 55
 - investigation of 6 companies, 114
 - monopolistic structure of, 55
 - price discrimination, 58
- Memorandum of Reservations**
 - by Messrs, Boulanger, Factor, Ilsley, 276-287
- Merchandising**
 - large scale, development of, 201, 202
- Merger**
 - as method of consolidation, 28
- Milling Industry**
 - competition in, 93
 - conversion costs, 90
 - development of large-scale milling, 86, 87
 - excess capacity, 87, 88, 90
 - flour exports, 88, 89
 - government control, 96, 97
 - "hedging" and, speculation, 94
 - price spreads
 - wheat, flour and bread, 92
 - remedial measures from within industry
 - advocated by President of Canadian National Millers' Assoc., 95, 96
 - selling costs, 94
- Minimum Wage Laws**
 - amendments, 129-133
- Minimum Wage Laws—Con.**
 - employment records, 134
 - inspectors, 129
 - purpose of, 131
- Mining Companies**
 - exceptional treatment recommended, 45
- Minority Report**
 - by Mr. E. J. Young, 288-307
- Monopoly**
 - definition of, 6
 - development of, 48, 49
 - meat and meat packing industry, 55
- Montreal Cottons, Ltd.**, 79
- National Recovery Administration**
 - state control
 - United States, 256-258
- National Research Council**
 - results of tests made *re* consumer protection, 236, 237
- Natural Products Marketing Act**
 - utilization to ensure fair price for farm products, 147
- Needle Trades Industry**
 - hours of labour, 111
 - labour conditions, 111
 - regulations, infringement of, 111
 - status of the wage-earner, 109
 - wages, rates, 110-112
- Non-Voting Stock**
 - as method of control, 20
- Ogilvie Flour Mills, Ltd.**, 98
- Ontario Grower Market Council**
 - remedial suggestions *re* fruit and vegetable growers, 157
- Over-Capitalization**, 43
 - see also: Summary of Recommendations, page xviii-xxv
 - associated with incorporation of companies, 38
- Pardoe, Avern and Company**
 - control of Canadian Cannery Limited, 37
- Price Discrimination**, 7, 8
- Price Fixing**, 7, 145, 146
 - agricultural implement industry, 62
 - as remedial measure for primary producer, 144
 - milk prices, 146
- rubber footwear industry, 48, 75
- Price Spreads**
 - department stores, 222-223
 - fishing industry, 191-194
 - milling industry
 - wheat, flour and bread, 92
- Prices**
 - as affected by "imperfect" competition, 89
 - canning industry
 - paid to growers, 153, 154
 - Canadian Cannery, 69
 - fertilizer industry, 76, 77
 - fishing industry, 186
 - gasoline, 77
 - Imperial Tobacco Company, 149, 150
 - retail, 53, 54
 - selling
 - tomatoes, 153

Prices—Con.

- tobacco industry, 149
- in Quebec, 151

Primary Producer

- canning industry, 153
- exploitation of, 147
- exports, expansion of, 144, 145
- marketing machinery, 145
- position of, 143, 144
- price fixing, 144
- purchasing power, 146
- tobacco grower, 147

Production

- large-scale, development of, 46

Public Ownership

- see: **State Control**

Recommendations

- see: **Summary of Recommendations**, pages xviii-xxv

Refinancing Operations

- conclusions *re*, 36
- earnings histories of 19 companies, 35, 36
- methods of, 32, 33
- more numerous during boom periods, 34
- purpose of, 32, 33

Rubber Footwear Industry

- general condition of, 72, 73
- price fixing, 48, 75

Rubber Industry

- wages, average rates, 116

Securities Board, 43

- see also: **Summary of Recommendations**, pages xviii-xxv
- proposed
 - effect on security issues, 44, 45
 - functions of, 44, 45

Security Issues, 38

- see also: **Summary of Recommendations**, pages xviii-xxv
- new, of large corporations, 23
- sold to public in refinancing operations, 36

Self-Government

- in business, 261-263

Shareholder

- protection of, 45

Short Weighing, 243

- chain stores and independent retailers compared, 230, 231
- chain store managers
- allowances for shortages, 231

Silk Manufacturing

- general condition, 83
- wages, 83

Simpson, Robt. Co. Ltd.

- re-organization, 36, 37
- sales, 206

State Control

- Australia, 253
- plan for economic recovery, 253, 254
- Canada, 258-260
 - Board of Commerce (1919), 258, 259
 - Combines Investigation Act, 259
 - amendment, 260, 261
- conclusions *re*, 264
- methods of, 249-252

State Control—Con.

- public ownership, 251-252
- United Kingdom, 252, 253
- United States, 254-58
 - Federal Trade Commission, 254-56
 - National Recovery Administration, 256-258

Swift Canadian Company

- comparison of wages in meat packing industry, 114

Synthetic Silk Manufacturing

- general conditions, 84

Tamblyn, Limited

- control of, 19

Textile Industries

- general condition of, 78
- manufacturers' associations, 86
- tariffs, effect of, 80
- wages, average rates, 116-119

Thread and Cordage Industry

- general condition of, 85

Tire Industry

- general condition of, 75, 76
- private brands, 75, 76

Tobacco Industry

- auction floor system, 148
- bond buying system, 148
- earnings, average annual, 115
- exploitation of growers, 147
- exports, 51
- flue-cured marketing agreement (1934), 152, 153
- flue-cured marketing (Ontario), 149-151
- general conditions in, 50
- grower organizations, 148
- prices, 149
 - in Quebec, 151
- production, 147, 148

Trade Associations, 136**Trade Unions**

- encouragement by government, 126, 127
- extent in Canada, 126-128

Unfair Practices

- see also: **Summary of Recommendations**, pages xviii-xxv
- adulteration, prevention of, 239, 240
- competition in retail trade, 228-231
- education of consumer, *re*, 235, 236
- effect on consumer, 234, 235
- marking and labelling, 240, 241
- methods of consumer protection, 237
- result of "imperfect" competition, 228, 231
- condemned, 233

United Kingdom

- state control, 252-253

United States

- state control, 254-258
 - Federal Trade Commission, 254-256
 - National Recovery Administration, 256-258

Voting Trust

- as a method of control in corporations, 20

Wabasso Cotton Company, 81**Wages**

- agricultural implements industry, 116
- Associated Textiles of Canada, Ltd., 118

Wages—Con.

baking industry, 113, 114
Binz, M. E. Co., 118
Canada Packers, Ltd., 114
canning industry, 67-72
chain stores
 food, 121
 variety, 122
department stores, 119, 120
factors affecting, 109
flour milling industry, 114
Imperial Tobacco Company, 115
Macdonald, W. C. Inc., 115, 116
mail order houses, 119, 120
needle trades industry, 110-112
rubber industry, 116
silk manufacturing, 83
Swift Canadian Company, 114
textile industries, 116-119

Wage-Earner

industries investigated, 108

Weights and Measures, 242-245**Weights and Measures Act**

amendments, 243
infringement, 242

Western Canada Flour Mills, 98**Whittall Can Company, Ltd.**

contract with Associated Quality Cannery,
71

Wholesaler

position of, 204

Wood Gundy and Company

remuneration for services, excessive, 37

Woollen Manufacturing

general condition of, 82

York Trading Company, 74

HANDBOUND
AT THE



UNIVERSITY OF
TORONTO PRESS

